

Participating Employer Procedures Manual

SC

**Retirement
Systems**

October 2003

Publications

The following publications are available in paper form from the South Carolina Retirement Systems. Publication titles followed by (I) are also available for viewing and/or download from our Internet Web site at www.retirement.sc.gov/docs/pubs/index.html.

Employer

FYI employer newsletter (I)

Electronic Employer Services (EES) brochure

Automated Clearing House (EFT) brochure (I)

Joining the South Carolina Retirement Systems brochure (I)

Participating Employer Procedures Manual (I)

Member

Select Your Retirement Plan brochure (I)

Investing for Your Retirement brochure (I)

SCRS Member Handbook (I)

PORS Member Handbook (I)

Your Disability Retirement Benefits brochure (I)

It's News To Me active member newsletter (I)

It's News to Me retired member newsletter (I)

Leaving Covered Employment brochure (I)

Trusts and Beneficiaries Designations brochure (I)

Inactive Member Program brochure

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About the Manual

The South Carolina Retirement Systems' *Participating Employer Procedures Manual* is designed to familiarize benefits and payroll personnel of employers covered by the South Carolina Retirement System (SCRS) and the Police Officers Retirement System (PORS) with the Retirement Systems' policies and procedures, and to facilitate the administration of retirement benefits.

Format

The *Participating Employer Procedures Manual* is available as an Adobe Acrobat (PDF) file via email or by download from the Retirement Systems' Internet Web site at www.retirement.sc.gov/docs/pubs/index.html. A paper copy is also available. The *Participating Employer Procedures Manual* available on our Web site and sent via email can be accessed using Adobe Acrobat Reader software. You may download Adobe Acrobat Reader at no charge from the Retirement Systems' Web site.

Sections

The manual is divided into sections based on related topics and materials that can be identified by section title. The forms referred to throughout the manual are available by contacting Customer Services at 1-800-868-9002, 803-737-6800, or cs@scrs.state.sc.us; by placing an order using a *Supply Request Form* (Form 8201) available from the Retirement Systems; or by downloading the forms from the Retirement Systems' Internet Web site at <http://www.retirement.sc.gov/forms.html>. Employers using the Electronic Employer Services (EES) system may print forms from the EES Web site as well.

Revisions

The Retirement Systems distributes revisions and updates to the manual as necessary. We strongly encourage you to keep this manual current since retirement laws, policies, procedures, and information periodically change.

We also encourage you, as a user of this manual, to make suggestions for its improvement. Please send suggestions to Employer Services, PO Box 11960, Columbia, SC 29211-1960, or contact Customer Services at 1-800-868-9002, 803-737-6800, or cs@scrs.state.sc.us.

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Contact Information

Mailing Address

Post Office Box 11960
Columbia, South Carolina 29211-01960

Location Address

Fontaine Business Center
202 Arbor Lake Drive
Columbia, South Carolina 29223

Web Site Address

www.retirement.sc.gov

Email Address

cs@scrs.state.sc.us

Electronic Employer Services (EES) Address

www.scrs.state.sc.us/ees

Telephone and Fax Numbers

Customer Services

	Telephone Number	Fax Number
Call Center	1-800-868-9002 1-803-737-6800	1-803-737-7594
Customer Annuity, Refund, and Death Claims	1-800-868-9002 1-803-737-6800	1-803-737-7752
Customer Consultations/Customer Intake	1-800-868-9002 1-803-737-6800	1-803-737-7594
Customer Field Education	1-800-868-9002 1-803-737-6800	1-803-737-7461

Office Hours

Our office hours are 8:15 a.m. to 5:00 p.m., Monday through Friday. Please encourage members who plan to visit us for a consultation to arrive prior to 4:00 p.m. since sessions may last up to one hour.

Holiday Schedule

The South Carolina Retirement Systems' office will be closed on the following holidays:

New Year's Day
Martin Luther King, Jr. Day
George Washington's Birthday/President's Day
Confederate Memorial Day
National Memorial Day
Independence Day

Labor Day
Veterans Day
Thanksgiving Day
Day after Thanksgiving
Christmas Day
Day after Christmas

How to Find Us

Directions from Downtown Columbia

The Retirement Systems' office is located at 202 Arbor Lake Drive, approximately five miles north of Columbia. If you wish to reach our office from downtown Columbia, head north on the Bull Street Extension, which becomes SC-277, and exit right onto Fontaine Road. Then turn right on Fontaine Road, and make another right into the Fontaine Business Center (Arbor Lake Drive). You will see signs directing you to the Retirement Systems' building and visitors' parking area.

Directions from the Interstate

From I-20 (Augusta or Florence)

Take Exit 73-A onto SC-277 toward Columbia and exit at Fontaine Road. Then turn right on Fontaine Road, and make another right into the Fontaine Business Center (Arbor Lake Drive). You will see signs directing you to the Retirement Systems' building and visitors' parking area.

From I-26 East (Spartanburg)

Take I-20 East toward Florence and take Exit 73-A onto SC-277 toward Columbia. Exit at Fontaine Road and turn right. Make another right into the Fontaine Business Center (Arbor Lake Drive). You will see signs directing you to the Retirement Systems' building and visitors' parking area.

From I-26 West (Charleston)

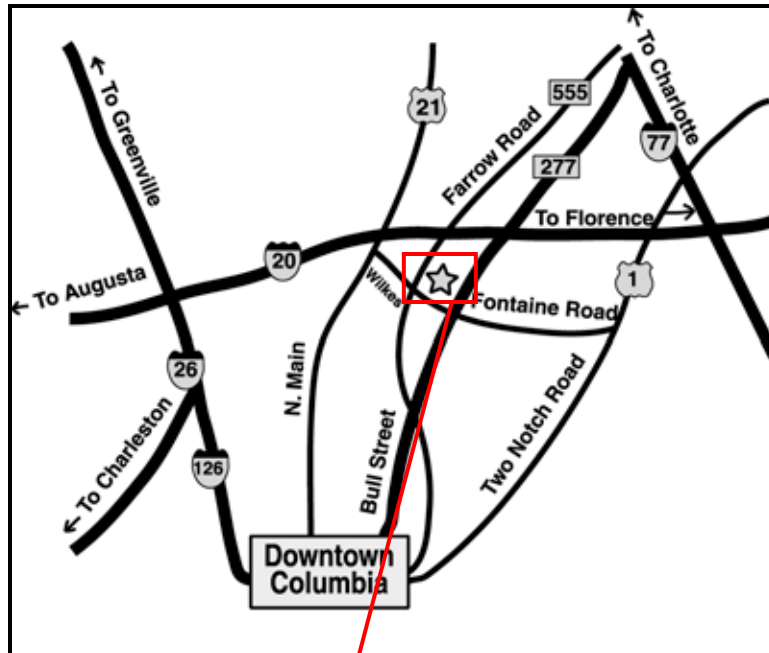
Take Exit 116 (I-77 North) toward Charlotte and exit onto I-20 toward Augusta (Exit 16). Take Exit 73-A onto SC-277 toward Columbia and exit at Fontaine Road. Then turn right onto Fontaine Road, and make another right into the Fontaine Business Center (Arbor Lake Drive). You will see signs directing you to the Retirement Systems' building and visitors' parking area.

From I-77 South (Charlotte)

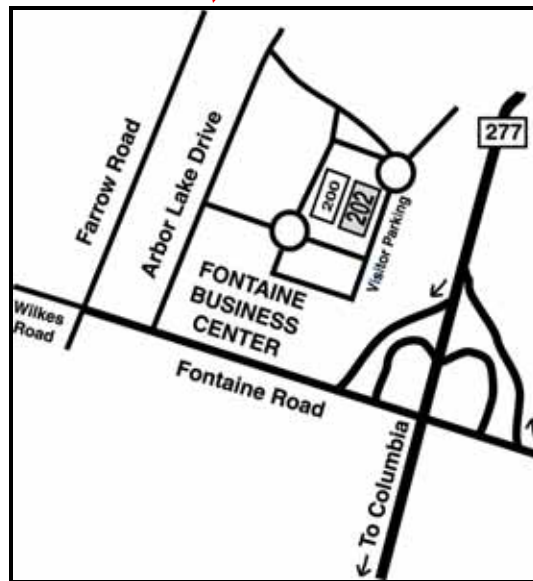
Take Exit 18 onto SC-277. Exit at Fontaine Road and turn right. Make another right into the Fontaine Business Center (Arbor Lake Drive). You will see signs directing you to the Retirement Systems' building and visitors' parking area.

See maps on page 4.

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**South Carolina Retirement Systems
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The South Carolina Retirement Systems

The South Carolina Retirement Systems administers five separate retirement systems: the South Carolina Retirement System (SCRS); the Police Officers Retirement System (PORS); the General Assembly Retirement System (GARS); the Judges and Solicitors Retirement System (JSRS); and the State Optional Retirement Program (State ORP). This manual refers to SCRS, PORS and State ORP procedures. Contact us for specific information concerning GARS, and JSRS policies and procedures.

Plan Types

The Retirement Systems administers two basic types of retirement plans: defined benefit plans and defined contribution plans.

A **defined benefit plan** provides for a traditional fixed annuity benefit at retirement. Upon retirement, an employee is entitled to a specified monthly pension payment, which is generally calculated based on a formula that includes years of service and compensation. A member's monthly benefit is not limited to or contingent upon the member's account balance, which consists of the member's contributions and the interest earned on those contributions. SCRS, PORS, GARS and JSRS are 401(a) defined benefit plans.

A **defined contribution plan** is a pension plan that provides for an individual account for each participant. Benefits are based solely on the amount of contributions and investment income in the participant's account, rather than a fixed future retirement benefit as provided in a defined benefit plan. The State ORP and South Carolina Deferred Compensation Program's 401(k) and 457 plans are defined contribution plans.

SCRS

SCRS was established July 1, 1945, and is governed by Title 9, Chapter 1 of the S.C. Code of Laws. SCRS is a traditional defined benefit retirement plan for employees of the state and its public school districts, and employees of counties, cities, and other political subdivisions that elect participation in the Retirement Systems. SCRS provides members a guaranteed monthly pension based on a formula that includes the member's average final compensation, years of service, and a benefit multiplier (1.82 percent for Class II, 1.45 percent for Class I). SCRS provides service and disability retirement, deferred annuities, and survivor annuities to eligible members. State agencies and public school districts are required to provide Group Life Insurance coverage to employees. The coverage is optional for other employers.

PORS

PORS was established July 1, 1962, and is governed by Title 9, Chapter 11 of the S.C. Code of Laws. PORS is a traditional defined benefit retirement plan for employees of the state and its public school districts, and employees of counties, cities, and other political subdivisions that elect participation in the Retirement Systems. These employees must meet PORS eligibility requirements. PORS provides members a guaranteed monthly pension based on a formula that

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includes the member's average final compensation, years of service, and a 2.14 percent (Class II) benefit multiplier. To be eligible for PORS membership, an employee must be required by the terms of his or her employment, by election or appointment, to preserve public order, protect life and property, and detect crimes in the state; to prevent and control property destruction by fire; or be a peace officer employed by the Department of Corrections, the Department of Juvenile Justice, or the Department of Mental Health. PORS members must also earn at least \$2000 per year and devote at least 1600 hours per year to this work. PORS membership includes police officers, public safety officers, and firefighters who are employees of the state or any participating political subdivision, agency, or department of the state. Magistrates hired after January 1, 2001, are required to participate in PORS; however, membership for probate judges is optional. PORS provides service and disability retirement, deferred annuities, and survivor annuities to eligible members. State agencies and school districts are required to provide Group Life Insurance coverage to employees. State agencies are required to provide Accidental Death Program coverage for employees. The coverage is optional for other employers.

State ORP

Title 9, Chapter 20 of the S.C. Code of Laws, governs the State ORP. A variant of the current State ORP has been available to certain employees since 1987. State ORP is not available to political subdivisions, PORS, GARS, and JSRS employees. Employees eligible for State ORP membership may choose the State ORP defined contribution plan as an alternative to the traditional SCRS defined benefit plan. If a member joins State ORP, an account is established in the member's name through the investment provider he or she selects. All state, public school, and higher education employees hired after June 30, 2003, are eligible to choose State ORP. This includes all permanent full-time employees, temporary and part-time employees, and political appointees. A political appointee is an employee hired by the State on or after January 1, 2003, who is not covered by the State Employee Grievance Procedure but who is eligible to participate in either SCRS or PORS. Following is a summary of the current State ORP investment providers and contact information:

AIG VALIC

Mandy Yelton
SC District Administrative Assistant
3710 Landmark Drive, Suite 104
Columbia, SC 29204
803-743-2020 (Office)
803-782-9061 (Fax)
1-800-647-4416 (Toll-free)
1-888-568-2542 (VALIC by Phone)
mandy_yelton@aigvalic.com
www.aigvalic.com/scstateorp

CitiStreet

Beth Mills
Regional Manager
1901 Laurens Road, Suite M
Greenville, SC 29607
864-241-5084 (Office)
864-241-5078 (Fax)
1-866-886-3673 (Toll-free)
<mailto:bmills@citistreetonline.com>
<http://welcome.citistreetconnect.com>

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ING Financial Services, Inc.

Johnathan L. Hope
Registered Representative
113 Beechwood Lane
Irmo, SC 29063
803-603-1777 (Office)
803-732-2449 (Fax)
1-888-818-3246, Ext. 7113 (Toll-free)
jhopesc@earthlink.net
www.ingretirementplans.com/custom/scorp

TIAA-CREF

Brenden L. Walsh
Senior Institutional Consultant
One Copley Parkway, Suite 400
Morrisville, NC 27560
1-919-465-5800 (Office)
1-919-469-0583 (Fax)
1-800-842-2776 (Counseling Center)
bwalsh@tiaa-cref.org
www.tiaa-cref.org

Life Insurance Benefits

Group Life Insurance

The Retirement Systems administers a Group Life Insurance program that provides benefits to both active and retired members. State agencies and public school districts are required to provide Group Life Insurance to SCRS, PORS, and State ORP members. The coverage is optional for other employers. If coverage is optional for an employer, the employer may elect Group Life Insurance effective the first July 1 following the date its application for coverage was received. An employer may not revoke this coverage once it has begun. If an employer provides Group Life Insurance to its employees, the employer must pay for this coverage. Premiums are waived for the first year for non-state agencies. The cost of this coverage is provided on pages 17 and 18. Group Life Insurance benefits are considered insurance proceeds and are not reported as taxable income.

Active Membership Group Life Insurance Benefit

If an active member of SCRS, PORS, or State ORP is covered under Group Life Insurance through his employer, and dies in service with at least one year of service credit, a payment equal to the member's current annual earnable compensation will be made to the member's designated beneficiary or estate. If the member's death results from a job-related injury, the one-year requirement is waived. An active membership Group Life Insurance benefit is payable if no more than 90 days before the date of death, the member was employed in a continuous, regular pay status, while earning regular or unreduced wages and regular or unreduced service credit, whether the member was physically working or taking accrued annual or sick leave while receiving a full salary. Refer to *In-Service Death* starting on page 73 for additional information.

Retiree Group Life Insurance Benefit

If a member receiving an SCRS or a PORS retirement benefit dies and his most recent employer before retirement has Group Life Insurance coverage on the retiree's date of death, a death benefit based on the retiree's service credit will be paid to the retiree's beneficiary. If a retiree has service in more than one correlated system (SCRS, PORS, GARS) and the most recent employer in each correlated system has Group Life Insurance coverage, service in each system will be considered when determining the amount of the Group Life Insurance benefit. The maximum

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benefit paid will never exceed \$6000. Retired State ORP members are not eligible for Retiree Group Life Insurance benefits.

SCRS	Benefit	PORS
10 to 19 years of service	\$2000	10 to 19 years of service
20 to 27 years of service	\$4000	20 to 24 years of service
28 or more years of service	\$6000	25 or more years of service

Accidental Death Program (PORS only)

The Retirement Systems administers an Accidental Death Program for PORS members. State agencies are required to provide Accidental Death Program (ADP) coverage to their PORS employees. This coverage is optional for other employers. An employer may elect this coverage effective the first July 1 following the date the employer's application is received. An employer may not revoke this coverage once coverage has begun. If an employer provides ADP coverage to its employees, the employer must pay for this coverage. Premiums are waived for the first year for non-state agencies. The cost for this coverage is listed on page 18.

ADP Benefit

This program provides a death benefit if a covered PORS member dies as a result of an injury by external accident or violence incurred while undergoing a hazard particular to the member's employment while in the actual performance of duty, without willful negligence on the part of the member. Payment will be made monthly to the member's surviving spouse for life. If the member has no spouse or the spouse dies before the youngest child of the covered member has attained age 18, the annuity is divided among surviving children until each child dies or attains age 18, whichever occurs first. If the member has no spouse or child under age 18, the benefit will be paid to the member's surviving father and/or mother for life.

The ADP monthly pension is calculated as follows: 50 percent of the member's annual compensation at death divided by 12, which equates to the monthly payments. Cost-of-living adjustments may be applied to these monthly pension benefits based on the Consumer Price Index and in the same manner as provided under a retirement annuity. The ADP annuity is considered insurance proceeds and is not taxable as income to the recipient. Insurance proceeds are included in the member's total estate in determining estate taxes.

Membership in the Retirement Systems

Membership Eligibility

As a condition of employment, all employees of employers participating in the Retirement Systems, except those specifically exempted by statute, are required to become members of SCRS, PORS, or State ORP. An employee who previously declined membership and who did not join State ORP may join the Retirement Systems at any time. However, if an employee chooses non-membership, they may not join ORP at a later date unless they change positions. If the employee declines membership and is later hired in a position requiring membership, the employee must then become a member. The effective date of membership will be the beginning date of employment in the new position. Employers are responsible for changing an employee's membership status. Submit a newly completed *Retirement Plan Enrollment* (Form 1100) for the employee to the Retirement Systems.

The categories of employees listed below may elect non-membership. Submit the employee's completed *Election of Non-Membership* (Form 1104) to the Retirement Systems within 30 days of the employee's date of hire.

School Bus Driver

An employee who works for a public school transportation system.

Earned Compensation Below \$100 Per Month

An employee who receives \$100 or less per month for his or her work.

Non-Permanent Position

An employee in a non-permanent position does not have benefits and does not earn annual and sick leave.

Day Laborer

An employee who is retained on an as-needed basis and is compensated for hours worked.

Hospital Worker

An employee who works for a non-state agency hospital in the capacity of nursing service personnel, technician, housekeeping, dietary, or laundry services.

Elected Official

An elected official who does not serve full-time and earns \$9000 or less annually.

Employer Admission – Existing Employees

Employees who work for an employer on the date of the employer's admission into the Retirement Systems may elect non-membership within six months from the employer's admission date.

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The following categories of employees may not join the Retirement Systems:

Independent Contractors

Independent contractors are not considered employees and therefore do not meet eligibility requirements for membership.

Students

A person employed by a school, college, or university at which the person is enrolled as a student, or otherwise regularly attending classes for academic credit, is not eligible to join the Retirement Systems unless the person is employed as a school bus driver and is paid by the same school district in which the person is enrolled in school. In determining student status, the Retirement Systems may employ the Social Security Administration's student services guidelines.

Retired Members

A retired member must be excluded from membership unless he or she is returning to work under the 48-month rule provision (see *Post-Retirement Information* starting on page 77 for more information).

PORS Exclusions

To be eligible for PORS, state law mandates that an employee must be required by the terms of his or her employment, by election or appointment, to preserve public order, protect life and property, and detect crimes in the state; to prevent and control property destruction by fire; or be a peace officer employed by the Department of Corrections, the Department of Juvenile Justice, or the Department of Mental Health. PORS members must also earn at least \$2000 per year and devote at least 1600 hours per year to this work. Employers must certify that employees meet these criteria on the *Employer Certification of Police Officers (PORS) Eligibility* (Form 1107). PORS membership will be denied if these criteria are not met.

For assistance in determining employee membership eligibility, submit a written position description to the Enrollment Unit for evaluation.

Enrollment Guidelines and Information

To ensure that employees are properly informed about their retirement choices, please provide the following information to all newly hired employees:

- *SCRS Member Handbook* or *PORS Member Handbook*;
- *Your Disability Retirement Benefits* brochure (SCRS and PORS)
- *Leaving Covered Employment* brochure (SCRS and PORS)
- Latest issue of *It's News To Me* active member newsletter;
- Our Internet Web site address: www.retirement.sc.gov;
- Customer Services' email address: cs@scrs.state.sc.us;
- Call Center phone numbers: 1-800-868-9002 and 803-737-6800;
- List of what Customer Services can do online for members (see page 49).

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If a new employee is eligible for State ORP, please provide the following additional information:

- *Select Your Retirement Plan* brochure;
- "The SCRS Plan or State ORP? It's Your Choice." video;
- "Investing for Your Retirement" video; and
- *Investing for Your Retirement* brochure.

State ORP-eligible employees have an opportunity to select the retirement plan that best meets their specific retirement needs. Eligible employees have 30 days from their date of hire to elect or decline State ORP membership. If an employee filling a permanent position that would otherwise require membership in SCRS does not make a retirement plan selection within 30 days, he or she will automatically become a member of SCRS. Employees must complete an enrollment form for either plan. Please refer to the *Select Your Retirement Plan* brochure for more information.

There is an annual open enrollment period (January 1 – March 1) during which a State ORP member may:

- Change investment providers; or
- Irrevocably switch to SCRS if the member has between one and five years of State ORP service.

A State ORP member may irrevocably elect SCRS membership in any annual open enrollment period after the first but before the fifth anniversary of his or her initial enrollment. State ORP members who previously participated in the ORP for Higher Education Institutions have a one-time opportunity to irrevocably elect SCRS membership during the open enrollment period (January 1 - March 1). If a State ORP member does not make the election to transfer to SCRS within the allotted time, he or she will, by default, continue State ORP membership. If a member joins SCRS during the allotted time, he or she may purchase all or a portion of State ORP service at any time after joining SCRS. The cost of the service is 16 percent of current earnable compensation or career highest fiscal year earnable compensation in either SCRS or State ORP, whichever is greater, for each year of service purchased.

The chart on page 12 outlines the procedures and documents necessary to enroll an employee into a retirement plan.

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Enrollment Procedures

Determine if new hire is eligible for SCRS, PORs, State ORP, or non-membership



Show videos to new hire



Give new hire *Select Your Retirement Plan* and *Investing for Your Retirement* brochures



Ensure that new hire makes plan selection by 30th day from date of hire

Obtain copy of new hire's Social Security card



New hire selects SCRS	New hire eligible for PORs	New hire selects State ORP	New hire declines membership
New hire completes and signs <i>Retirement Plan Enrollment</i> (Form 1100)	New hire completes and signs <i>Retirement Plan Enrollment</i> (Form 1100)	New hire completes and signs <i>Retirement Plan Enrollment</i> (Form 1100)	New hire completes and signs <i>Election of Non-Membership</i> (Form 1104)
New hire completes and signs <i>Beneficiary Designation</i> (Form 1102) or <i>Beneficiary/Trustee Designation</i> (Form 1103) and <i>Certification of Trust</i> (Form 1113)	New hire completes and signs <i>Beneficiary Designation</i> (Form 1102) or <i>Beneficiary/Trustee Designation</i> (Form 1103) and <i>Certification of Trust</i> (Form 1113)	New hire completes and signs <i>State ORP Active Group Life Beneficiary Designation</i> (Form 1106)	
		New hire completes and mails vendor application form to State ORP vendor	
Mail Form 1100 and Form 1102 (or forms 1103 and 1113), and copy of Social Security card to Retirement Systems	Mail Form 1100 and Form 1102 (or forms 1103 and 1113), and copy of Social Security card to Retirement Systems	Mail Form 1100 and Form 1106, and copy of Social Security card to Retirement Systems	Mail Form 1104 and copy of Social Security card to Retirement Systems
		Mail Form 1100 to Comptroller General if employer is a State Agency; otherwise, mail Form 1100 to State ORP vendor	

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Retirement Plan Enrollment (Form 1100)

New Hires

At the time of hire, all new employees must complete either a *Retirement Plan Enrollment* (Form 1100) or an *Election of Non-Membership* (Form 1104). See *Membership Eligibility* starting on page 9 for more information. **A copy of the employee's Social Security card is required for all newly enrolled members.** The name on the Social Security card must match the name on the *Retirement Plan Enrollment* (Form 1100) and on the quarterly reports submitted to the Retirement Systems. Detailed instructions and conditions are printed on the second page of each form. The Retirement Systems will send a *Rejection Form* (Form 1202) to the employer if critical enrollment data is omitted or incorrect.

New Employee Who Is Already a Member

A *Retirement Plan Enrollment* (Form 1100) must be completed even if a new employee has an active account through previous employment. A *Retirement Plan Enrollment* (Form 1100) must also be completed when a member transfers from one system to another or transfers from one covered employer to another. An employee's effective date of membership coincides with his or her original date of hire by a covered employer, the date the employee joined after initially electing non-member status, or the mandated April 1 effective date if transferring to SCRS from State ORP.

Change of Information

A member should complete a *Retirement Plan Enrollment* (Form 1100) to make a name, address, date of birth, or Social Security number change. An active or inactive member may also make an address change by contacting Customer Services; however, if the member has a refund request on file or is receiving a retirement annuity, the member must request an address change in writing. All written name, address, date of birth, and Social Security number corrections must include the member's Social Security number and original signature.

Required Documents for a Name Change

An active member may update his or her name by submitting one of the following documents to the Retirement Systems with a completed *Retirement Plan Enrollment* (Form 1100):

- A copy of the member's Social Security card with the correct name;
- A certified copy of the member's divorce decree indicating a legal name change; or
- The court order for the member's name change (includes annulment and adoption).

If a member's name has been inadvertently spelled incorrectly, please contact Customer Services at 1-800-868-9002, 803-737-6800, or cs@scrs.state.sc.us, or contact the Enrollment Unit to request a correction.

Beneficiary Designation (Form 1102)

Beneficiary forms are binding legal documents; therefore, it is extremely important to complete the forms accurately. Detailed instructions and conditions are printed on the second page of each

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form. For assistance in completing the forms, contact Customer Services at 1-800-868-9002, 803-737-6800, or cs@scrs.state.sc.us. All forms must be signed and notarized. The Retirement Systems will not process beneficiary forms with revisions in the beneficiary or notary sections. Any changes of beneficiary accepted by the Retirement Systems will supersede all previously submitted designations. The Retirement Systems will provide a confirmation notice of beneficiary designations.

New Hires

At the time of hire, any new employee enrolling in SCRS or PORS should complete a *Beneficiary Designation* (Form 1102) to designate one or more beneficiaries, his or her estate, or an organization for each benefit provided. Including the Social Security number or the federal tax identification number of all beneficiaries listed on an employee's *Beneficiary Designation* (Form 1102) will help ensure payment of benefits to the appropriate recipient.

New Employee Who Is Already a Member

A newly hired employee who is already a member of SCRS or PORS may choose to complete a new *Beneficiary Designation* (Form 1102). If the employee does not complete a new *Beneficiary Designation* (Form 1102), the beneficiary designations on file with the Retirement Systems will remain in effect.

Change of Information

A member who is not retired may make beneficiary changes at any time by completing a new *Beneficiary Designation* (Form 1102). Each time beneficiary changes are made on the *Beneficiary Designation* (Form 1102) and submitted to the Retirement Systems, the most recent changes made supersede all previously submitted designations.

Primary Beneficiary

A primary beneficiary is the person to whom the Retirement Systems would pay either a lump-sum distribution of the account balance or a monthly survivor annuity following a member's death. A member may also designate his estate, or an organization as beneficiary; however, a monthly survivor annuity cannot be paid to either an estate or an organization. Multiple primary beneficiaries would share equally either a lump-sum distribution or a monthly survivor annuity. A member who belongs to more than one system may designate a primary beneficiary for each of his or her accounts. A member may designate a given individual as a primary beneficiary or a contingent beneficiary, but not as both.

Contingent Beneficiary

A contingent beneficiary would be entitled to the benefits otherwise payable to a primary beneficiary if all of a member's primary beneficiaries predecease the member. To designate a contingent beneficiary, a member must be actively employed and making regular contributions. A member who belongs to more than one system may designate a contingent beneficiary for each account. A member may designate his or her estate or an organization as a contingent beneficiary; however, a monthly survivor annuity cannot be paid either to an estate or an organization.

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Group Life Insurance Beneficiary

A member's Group Life Insurance beneficiary would be entitled to a benefit equal to the member's current earnable compensation paid following the active member's death. A contingent beneficiary may not be named to receive an active membership Group Life Insurance benefit. State ORP participants are eligible for Group Life Insurance provided they work for a covered employer.

Beneficiary/Trustee Designation (Form 1103)

Certification of Trust (Form 1113)

A member enrolled in SCRS or PORS may appoint one or more trustees to receive payment on behalf of a beneficiary of either a lump-sum distribution or a monthly survivor annuity following the member's death. A member may direct payment of a benefit to a trust for the benefit of the designated beneficiary by completing both a *Beneficiary/Trustee Designation* (Form 1103) and a *Certification of Trust* (Form 1113). Additional beneficiaries who do not require a trustee appointment must also be included on the *Beneficiary/Trustee Designation* (Form 1103).

A trust must be created separately for the *Beneficiary/Trustee Designation* (Form 1103) to be legally binding. If a member fails to create a trust prior to his death, the beneficiary or personal representative must complete a *Certification of Nonexistent Trust* (Form 4257) at the time of the member's death. The trustee appointment would be considered void and the Retirement Systems would pay benefits directly to the beneficiaries designated on the *Beneficiary/Trustee Designation* (Form 1103). If, at a member's death a trust exists, a copy of the trust document, along with a *Certification of Trust - Death Claims* (Form 4256), must be submitted by the trustee to the Customer Services Death Claims Unit following the active member's death for payment to be made to the trust.

Election of Non-Membership (Form 1104)

New Hire

A newly hired employee whose position qualifies for optional membership must complete an *Election of Non-Membership* (Form 1104) within 30 days of his date of hire to decline membership in the Retirement Systems. All retirees continuing to work for a covered employer, including those participating in the Teacher and Employee Retention Incentive (TERI) Program, must complete an *Election of Non-Membership* (Form 1104).

State ORP Active Group Life Beneficiary Designation (Form 1106)

New Hire

A newly hired employee who elects State ORP membership should complete the *State ORP Active Group Life Beneficiary Designation* (Form 1106). A Group Life Insurance beneficiary would be entitled to a Group Life Insurance benefit equal to the member's current annual earnable compensation following the active member's death. A contingent beneficiary may not be named to receive an active membership Group Life Insurance benefit.

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New Employee Who Is Already a Member

A newly hired employee who is already a member of State ORP may choose to complete a new *State ORP Active Group Life Beneficiary Designation* (Form 1106). If a new *State ORP Active Group Life Beneficiary Designation* (Form 1106) is not completed, the beneficiary designations on file with the Retirement Systems will remain in effect.

Change of Information

An active State ORP member may make active membership Group Life Insurance beneficiary changes at any time by completing a new *State ORP Active Group Life Beneficiary Designation* (Form 1106). Each time beneficiary changes are made on the *Beneficiary Designation* (Form 1102) and submitted to the Retirement Systems, the most recent changes made supersede all previously submitted designations.

Employer Certification of Police Officers Retirement System (PORS) Eligibility (Form 1107)

To be eligible for PORS membership, an employee must be required by the terms of his or her employment, by election or appointment, to preserve public order, protect life and property, and detect crimes in the state; to prevent and control property destruction by fire; or be a peace officer employed by the Department of Corrections, the Department of Juvenile Justice, or the Department of Mental Health. PORS members must also earn at least \$2000 per year and devote at least 1600 hours per year to this work. Employers must certify that employees meet the above criteria on the *Employer Certification of Police Officers Retirement System (PORS) Eligibility* (Form 1107).

A Member's Account

Interest Earned on a Member's Account

If a member has not retired, his account earns 6 percent interest compounded annually on the member's account balance as of June 30 of the previous year.

Obtaining an Account Balance Statement

A member may request information about his or her SCRS and/or PORS account balance by contacting Customer Services at 1-800-868-9002, 803-737-6800, or cs@scrs.state.sc.us, or by submitting a written request that includes the member's signature and Social Security number. Employers may access their employees' Retirement Systems accounts by using the Electronic Employer Services (EES) Web site at www.scrs.state.sc.us/ees. See *Electronic Employer Services Education* on page 48 for more information. Customer Services cannot give exact dollar amounts of annuity amounts, member accounts, refunds, or service credit by telephone; however, requested information can be mailed to the address on file for the member within three business days.

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Reporting Procedures

Member Contributions

Members of SCRS, State ORP, and PORS are required to contribute a portion of their earnable compensation to their chosen retirement plan. SCRS and State ORP members contribute a tax-deferred 6 percent of earnable compensation into their retirement account. A Class II PORS member contributes a tax-deferred 6.5 percent of earnable compensation into his or her retirement account. Class I PORS members contribute \$21 per month. Class I PORS coverage is not available to new employers. Members do not pay contributions to participate in the Group Life Insurance or Accidental Death programs. Employee contributions must not be withheld on wages paid to retired members. Unless a member is purchasing service credit, he or she may not contribute additional amounts in excess of the required contribution for his or her retirement plan.

Retirement Plan	Member Contribution Rate
SCRS	6% of earnable compensation
State ORP	6% of earnable compensation
PORS Class I	\$21 per month
PORS Class II	6.5% of earnable compensation

Employer Contributions

Employer contributions are due on amounts considered earnable compensation for both active members and retirees who have returned to work, including TERI participants. **Employer contributions are due on all wages paid to retired members of SCRS and PORS who return to work.** Employer contributions are not required on active employees who elect to not join the Retirement Systems (i.e. school bus drivers, temporary employees, etc). See *Membership Eligibility* starting on page 9 for more information. Employers are required to pay all applicable employer contributions, including the retiree insurance surcharge, Group Life Insurance contributions, and Accidental Death Program contributions, if coverage is provided. State law mandates that the Retirement Systems collect the retiree insurance surcharge from employers. These contributions are transferred directly to the Employee Insurance Program each month and are needed to cover the employer's share of the cost of providing health and dental insurance to retirees. Employer contribution percentages for fiscal year 2003-2004 are listed below and on page 18:

SCRS			
Type of Employer	Employer Retirement Contribution	Group Life Contribution	Retiree Insurance Surcharge
State agencies	7.55%	0.15%	3.30%
Public schools	7.55%	0.15%	3.30%
Higher education institutions	7.55%	0.15%	3.30%
Other political subdivisions	6.70%	0.15%	3.30%

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State ORP			
Type of Employer	Employer Retirement Contribution	Group Life Contribution	Retiree Insurance Surcharge
State agencies	5% to vendor, 2.55% to Retirement Systems	0.15%	3.30%
Public schools	5% to vendor, 2.55% to Retirement Systems	0.15%	3.30%
Higher education institutions	5% to vendor, 2.55% to Retirement Systems	0.15%	3.30%
Other political subdivisions	NA	NA	3.30%

PORS				
Type of Employer	Employer Retirement Contribution	Group Life Contribution	Retiree Insurance Surcharge	Accidental Death Contribution
State agencies	10.3% Class II, 7.8% Class I	0.20%	3.30%	0.20%
Public schools	10.3% Class II, 7.8% Class I	0.20%	3.30%	0.20%
Higher education institutions	10.3% Class II, 7.8% Class I	0.20%	3.30%	0.20%
Other political subdivisions	10.3% Class II, 7.8% Class I	0.20%	3.30%	0.20%

Contribution Requirements

Employee and employer contributions are due on all amounts considered earnable compensation and all payments paid for unused accrued annual leave. The following types of payments are subject to retirement contributions:

Salary or Wages

The gross rate of salary or wages paid by an employer to an actively contributing member is considered earnable compensation. Wage deferrals under various tax-deferred annuities, deferred compensation plans, or flexible benefit (cafeteria) plans do not reduce the wage base for retirement withholding. Retirement contributions are due on true gross wages before reductions for any tax deferrals. Deferred quarterly contributions paid into SCRS, PORS, and State ORP are exempt from federal and state taxes, but are not exempt from FICA/Medicare wages.

Used Sick and Annual Leave

Wages paid to employees who continue on the payroll while using sick and annual leave are considered earnable compensation and are subject to retirement contributions.

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Unused Annual Leave

Retirement contributions must be made on all payments for unused annual leave made to employees regardless of when payment is made. If payment is made at retirement, up to 45 days will be included in the calculation of the monthly retirement benefit.

Unused General Leave

Some employers have a single leave account that an employee uses for both annual leave and sick leave. The Retirement Systems' policy is to treat the first 45 days as annual leave, which is subject to retirement contributions. Any leave in excess of 45 days would be treated as sick leave (which does not have contributions withheld) unless the employer's leave plan specifically provides otherwise.

Overtime

Payment for periods in which overtime is worked is considered earnable compensation and is subject to retirement contributions.

Other Compensation

When compensation includes maintenance, fees, and other things of value such as on-going housing and automobile allowances, the State Budget and Control Board shall set the value of that part of the compensation not paid in money directly by the employer. Contributions will be due to the Retirement Systems on this non-monetary compensation.

Contributions are not due on the following types of payments:

Special Payments

Nonrecurring pay increases or single payments made at retirement, bonuses and incentive type payments, or any other payments not considered part of the regular salary base, whether paid during employment or at retirement, are not subject to contributions.

Lump-Sum Payments for Unused Sick Leave

Lump-sum payments for unused sick leave at termination or retirement are not subject to retirement contributions.

Benefits Received for Long-Term Disability

Benefits received for long-term disability are not subject to retirement contributions.

Member Compensation Limit

A federal limitation on the amount of annual compensation that can be considered in determining defined benefit annuities applies to employees who became members of SCRS or PORS after December 31, 1995. The limitation for calendar year 2003 is \$200,000. Compensation in excess of this limitation is not subject to retirement contributions.

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Service Credit

The procedures listed below apply to current service credit reporting for SCRS and PORS. Service credit is awarded to members based on monthly compensation and dates of employment (taken from reported contract length and months paid information). State ORP members are not awarded service credit, as defined contribution plans are based on contributions only.

1. Full time service credit is awarded for a minimum monthly compensation base of \$350.00.
2. Detailed member information is reported to the Retirement Systems on a quarterly basis. A contract period and months paid should be reported for each member. The first step in this process is to determine a contract period for each member. A contract period is the number of months per year in which a member is compensated. For example, most state employees have a contract period of "12," which means year-round employment and compensation. If members are compensated during only a portion of the year, however, the contract period should be the number of months in which they are compensated. For example, some school district employees are compensated over nine months rather than 12. They should therefore be reported as a contract period "9." An exception to this is the first year of employment for a school district employee. If a new hire chooses to be compensated over 12 months of the year, but in the first year of employment does not receive a check in every month of the fiscal year (July – June), a contract length other than 12 must be selected in the first year of employment to grant a full year of service credit. The contract period established for the first year of employment should reflect the actual number of months in which the employee will be compensated the first year. The employer must then change the employee to the "12" contract period in subsequent contract years. Please review the Contract Period Chart on page 23 to determine the appropriate contract period based on the most common payroll cycles. Report whole months only. If an individual works nine and one-half months, **round down** the figure to nine months.
3. Report the number of months paid during a quarter (1, 2, or 3). **Round partial months up** to the next full month. Do not report partial months. An employee cannot receive more than a 3 in this field.
4. A monthly salary is developed by the Retirement Systems based on the number of months paid in the quarter and the quarterly compensation reported.
5. Exceptions are provided for elected officials and appointed members of boards and commissions. Special coding is utilized for these members. See *Elected Officials/Appointed Board Members* on page 22 for further information.
6. The Retirement Systems will calculate the appropriate service credit based on each employer report. For example: A nine-month employee reaching the earnings threshold would receive one-ninth of a year of service credit for each month (September through May).

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Examples

An employee with a nine-month contract period reaching the earnings threshold earns 40 days of service credit each month (360 days divided by nine months equals 40 days per month). 40 divided by 30 equals 1.33 months multiplied by nine months equals 360 days or one year.

An employee with a ten-month contract period reaching the earnings threshold earns 36 days of service credit each month (360 days divided by ten months equals 36 days per month). 36 divided by 30 equals 1.20 months multiplied by ten months equals 360 days or one year.

An employee with an eleven-month contract period reaching the earnings threshold earns 33 days of service credit each month (rounded) (360 days divided by eleven months equals 33 days per month). 33 divided by 30 equals 1.10 months multiplied by eleven months equals 360 days or one year (rounded).

An employee with a twelve-month contract period reaching the earnings threshold earns 30 days of service credit each month (360 days divided by twelve months equals 30 days per month). 30 divided by 30 equals 1.00 months multiplied by twelve months equals 360 days or one year.

7. If, in a given month, a person does not reach the \$350 threshold, the service credit is prorated.

Example

If a substitute teacher is paid on a nine-month basis and earns \$175 for the month of September, service credit would be calculated as follows:

$\$175 \div \$350 = .50$
 $.50 \div 9 \text{ months} = .05565 \text{ year}$
 $.05565 \times 12 \text{ months} = .6667 \text{ months}$
 $.05565 \times 360 \text{ days} = 20 \text{ days}$

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Elected Officials/Appointed Board Members

Individuals elected to public office or appointed to serve on a board or a commission (i.e., mayor, or city or county council member) are not required to meet the \$350 per month threshold to receive full service credit. The contract periods shown in the chart below have been assigned for these individuals based on how the member is compensated. If there is a situation other than those addressed below, employers should use "99" on the form and Employer Services will contact the employer. **If the individual meets the \$350.00 per month threshold and is a year-round employee, a "12" should be used as the contract period.**

Frequency of Compensation	Contract Period	Months Paid	Service Credited
Annually	13	1	1 year
Monthly	14	1, 2 or 3	1 month for every "month paid"
Quarterly	15	1	3 months
Semi-Annually	16	1	6 months

Employers who do not submit their reports electronically are not required to complete the Begin and End Date fields on the *Standard Retirement Quarterly Report* (Form 1221 for Class II or Form 1222 for Class I). If the fields are left blank for an elected or appointed official, however, the Retirement Systems will calculate the member's service assuming the service was retroactive from the quarter ending date. For example, if a *Standard Retirement Quarterly Report* (Form 1221 for Class II or Form 1222 for Class I) is received for the quarter ending June 30, 2003, and the contract period for the member was a "13," the member would receive credit for the prior fiscal year (7-01-02 through 6-30-03).

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Contract Period Chart

September through May: Contract period is "9." September quarter is "1" for months paid.

JUL 1	AUG 1	SEP 1	OCT 1	NOV 1	DEC 1	JAN 1	FEB 1	MAR 1	APR 1	MAY 1	JUN 1
1 st Quarter Month Paid = "1"			2 nd Quarter Month Paid = "3"			3 rd Quarter Month Paid = "3"			4 th Quarter Month Paid = "2"		

September through June: Contract period is "10" for employees not paid in July and August. September quarter is "1" and June quarter is "3" for months paid. Contract period is "10" when checks for July and August are written in June (distributed in July and August) but Retirement Systems contributions are paid in June. September quarter is "1" and June quarter is "3" for months paid.

JUL 1	AUG 1	SEP 1	OCT 1	NOV 1	DEC 1	JAN 1	FEB 1	MAR 1	APR 1	MAY 1	JUN 1
1 st Quarter Month Paid = "1"			2 nd Quarter Month Paid = "3"			3 rd Quarter Month Paid = "3"			4 th Quarter Month Paid = "3"		

August through May: Contract period is "10." September quarter is "2" and June quarter is "2" for months paid.

JUL 1	AUG 1	SEP 1	OCT 1	NOV 1	DEC 1	JAN 1	FEB 1	MAR 1	APR 1	MAY 1	JUN 1
1 st Quarter Month Paid = "2"			2 nd Quarter Month Paid = "3"			3 rd Quarter Month Paid = "3"			4 th Quarter Month Paid = "2"		

August through June: Contract period is "11." September quarter is "2" and June quarter is "3" for months paid.

JUL 1	AUG 1	SEP 1	OCT 1	NOV 1	DEC 1	JAN 1	FEB 1	MAR 1	APR 1	MAY 1	JUN 1
1 st Quarter Month Paid = "2"			2 nd Quarter Month Paid = "3"			3 rd Quarter Month Paid = "3"			4 th Quarter Month Paid = "3"		

July through June: Contract period is "12." September quarter is "3" and June quarter is "3" for months paid. **Exception: New hires at the beginning of a school year who opt for a 12-month payout but are not year-round, 12-month employees would be a "9," "10," or "11" to get a full year of service credit for the first year and would be switched to "12" for the next year's contract period.**

JUL 1	AUG 1	SEP 1	OCT 1	NOV 1	DEC 1	JAN 1	FEB 1	MAR 1	APR 1	MAY 1	JUN 1
1 st Quarter Month Paid = "3"			2 nd Quarter Month Paid = "3"			3 rd Quarter Month Paid = "3"			4 th Quarter Month Paid = "3"		

20-Day Pay Cycle: These employees are paid every 20 days (for example, a bus driver) and possibly may not receive a check in December due to the Christmas break, and/or a spring break. To determine an employee's contract period, review your pay cycle and ascertain whether the employee will receive compensation for those months. If not, the contract period would be either a "9" or an "8" to ensure those full-time employees receive correct service credit.

JUL 1	AUG 1	SEP 1	OCT 1	NOV 1	DEC 1	JAN 1	FEB 1	MAR 1	APR 1	MAY 1	JUN 1
1 st Quarter			2 nd Quarter			3 rd Quarter			4 th Quarter		

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Contribution Reporting

Information is reported to the Retirement Systems in the following formats:

Monthly Deposits

Monthly Deposits (Form 1244 for Class II or Form 1245 for Class I) are used for the first and second months of the quarter. These pre-printed forms are mailed annually (in July) to each employer for the upcoming fiscal year. These forms include the employer code, employer name, month ending date, due date, and the correct employer rates for the employer. Since each month's form is bar coded for that particular month, one month's form cannot be substituted for another month. These forms cannot be reproduced from the Retirement Systems' Internet Web site.

Quarterly Contribution Report Summary

The *Quarterly Contribution Report Summary* (Form 1246 for Class II or Form 1247 for Class I) is used for the third month of the quarter. These pre-printed forms are mailed annually (in July) to each employer for the upcoming fiscal year. These forms include the employer code, employer name, quarter ending date, due date, and the correct employer rates for the employer. Since each month's form is bar coded for that particular month, one month's form cannot be substituted for another month. These forms cannot be reproduced from the Retirement Systems' Internet Web site.

Standard Retirement Quarterly Report

The *Standard Retirement Quarterly Report* (Form 1221 for Class II, Form 1222 for Class I) is used to report individual details and salaries for all active employees and retirees. **Employers are encouraged to submit information via magnetic media.** Paper reporters should use the *Standard Retirement Quarterly Report* (Form 1221 for Class II or Form 1222 for Class I), or if detail information is submitted via a computer printout, the format for the *Standard Retirement Quarterly Report* (Form 1221 for Class II, Form 1222 for Class I) should be followed.

Supplemental Service Report

The *Supplemental Service Report* (Form 1224) is used to report contributions on approved leave without pay service. These service types include Military Leave, Workers' Compensation, Charter School Service, Furlough and Special Monthly Contributors.

Supplemental Contribution Report

The *Supplemental Contribution Report* (Form 1225) is used to report corrections on individual accounts to correct employer-reporting errors less than two years old.

Additional Instructions for the Above Forms

Forms and instructions for the *Standard Retirement Quarterly Report* (Form 1221 for Class II or Form 1222 for Class I) for paper employers, the *Supplemental Service Report* (Form 1224) and the *Supplemental Contribution Report* (Form 1225) are available on the Retirement

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Systems' Internet Web site at www.retirement.sc.gov. The *Monthly Deposit* (Form 1244 for Class II or Form 1245 for Class I) and *Quarterly Contribution Report Summary* (Form 1246 for Class II or Form 1247 for Class I) are mailed directly to employers annually and include instructions.

Please mail forms to the Retirement Systems early enough to allow timely remittance of both reports and contributions, and to avoid unnecessary interest penalties incurred on deposits received after the due date. Contact your Employer Services Representative or Customer Services at 1-800-868-9002, 803-737-6800 or cs@scrs.state.sc.us to obtain replacement forms.

Monthly Deposits

For SCRS, S.C. Code Ann. §9-1-1160 (1976) and S.C. Code Ann. §9-1-1170 (1976) require payments of employee and employer retirement and Group Life Insurance contributions on a monthly basis.

For PORS, S.C. Code Ann. §9-11-210 (1976), S.C. Code Ann. §9-11-220 (1976), and S.C. Code Ann. §9-11-230 (1976) require payments of employee and employer retirement, Group Life Insurance, and Accidental Death Program contributions on a monthly basis.

For State ORP, S.C. Code Ann. §9-20-50 (2002) requires payments of employer contributions on a monthly basis.

Each employer must remit to the designated State ORP vendor, both the State ORP participant's contribution, plus the employer's contributions in accordance with the guidelines established by the Internal Revenue Service for payroll tax remittance.

The S.C. Code Ann. §9-1-1170 and §9-11-230 authorizes the assessment of interest on all delinquent payments.

Employers not on the Comptroller General's payroll system must complete and submit the *Monthly Deposit* (Form 1244 for Class II or Form 1245 for Class I). Each monthly report and remittance is due to the Retirement Systems on or before the end of the following month. Refer to the *Due Date Calendar* (Form 1341) for the current fiscal year. (The Retirement Systems mails a *Due Date Calendar* (Form 1341) to all covered employers each year. It is also available via the Retirement Systems' Internet Web site.) If the *Monthly Deposit* (Form 1244 for Class II or Form 1245 for Class I) has XXX's in any of the columns (SCRS, PORS, Group Life Insurance, Accidental Death Program), this indicates that the employer does not have the coverage. If an employer obtains coverage for SCRS, State ORP, or PORS after the beginning of a fiscal year, new forms will be mailed to reflect the additional coverage.

Authorized Credit and Debit invoices listed on the *Monthly Deposit* (Form 1244 for Class II or Form 1245 for Class I) must be brought forward to the *Quarterly Contribution Report Summary* (Form 1246 for Class II or Form 1247 for Class I) to properly balance the quarterly report. The net remittance amount is the total of SCRS, PORS, and State ORP amounts due. Employers should

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mail one check and the *Monthly Deposit* (Form 1244 for Class II or Form 1245 for Class I) to the Retirement Systems in the **green envelope** provided in the mailing packets sent to employers each year by the Retirement Systems. Do not include any other payments in the calculation of monthly deposit amounts.

The Retirement Systems requires that the *Monthly Deposit* (Form 1244 for Class II or Form 1245 for Class I) be signed and dated by an employer's authorized reporting official. Always include the official's telephone number at the bottom of the form.

Quarterly Contribution Report Summary (Form 1246 for Class II or Form 1247 for Class I)

All employers, except those reporting through the Comptroller General's payroll system, must complete the *Quarterly Contribution Report Summary* (Form 1246 for Class II or Form 1247 for Class I). The *Quarterly Contribution Report Summary* (Form 1246 for Class II or Form 1247 for Class I) is submitted with the *Standard Retirement Quarterly Report* (Form 1221 for Class II or Form 1222 for Class I, or diskette) and summarizes the *Standard Retirement Quarterly Report* (Form 1221 for Class II or Form 1222 for Class I). Detailed instructions for completing the *Quarterly Contribution Report Summary* (Form 1246 for Class II or Form 1247 for Class I) are included on the form. Detailed instructions are also available on the Retirement Systems' Internet Web site under Form 1267.

The *Quarterly Contribution Report Summary* (Form 1246 for Class II or Form 1247 for Class I) is divided into four sections:

- The first section contains the calculation of employee contributions and any variance between computed contributions and actual contributions withheld (see page 17 for employee contribution rates);
- The second section contains the calculation of the employer contributions, including employer retirement, Group Life Insurance and Accidental Death Program contributions (see pages 17 and 18 for employer contribution rates);
- The third section includes a reconciliation of the total due for the quarter minus previous monthly payments, and any credits or debit invoices taken resulting in the net remittance; and
- The fourth section includes State ORP information if the employer has employees who are participating in State ORP as allowed by statute (see page 18 for ORP contribution rates).

The *Quarterly Contribution Report Summary* (Form 1246 for Class II or Form 1247 for Class I) summarizes all quarterly deposits and should match detailed individual records submitted on the *Standard Retirement Quarterly Report* (Form 1221 for Class II or Form 1222 for Class I) or the electronic report. If any discrepancies exist between the quarterly deposits and the detail records submitted or if detail records must be modified or rejected due to errors on the report, the Retirement Systems will issue a debit or credit invoice along with appropriate documentation to the employer for the applicable quarter. Once reconciliation has been completed and an invoice has

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been issued to the employer from the Retirement Systems, the employer is responsible for returning contributions to employees if necessary.

For example, if a retired member returned to work and the employer erroneously withheld retirement contributions and submitted the contributions on the quarterly report, the Retirement Systems would not be able to post those contributions and would therefore issue a credit invoice to the employer at the end of the quarterly reconciliation. The employer would then refund the money owed to the retiree and reduce the next remittance to the Retirement Systems by the amount of the credit invoice.

The net remittance amount is a total of SCRS, PORS, and State ORP contributions due. Employers should mail one check and the *Quarterly Contribution Report Summary* (Form 1246 for Class II or Form 1247 for Class I) to the Retirement Systems in the **green envelope** provided by the Retirement Systems in the annual mailing. Do not include any payments for service purchase or Special Monthly Contributor in the calculation of quarterly deposit amounts. The Retirement Systems requires that the *Quarterly Contribution Report Summary* (Form 1246 for Class II or Form 1247 for Class I) be signed and dated by an employer's authorized reporting official. If an employer is reporting individual member information on paper, the *Standard Retirement Quarterly Report* (Form 1221 for Class II or Form 1222 for Class I) should be mailed in the same envelope. Electronic reporters should mail the quarterly report data on diskette (in a mailer) or tape separately.

Standard Retirement Quarterly Report (Form 1221 for Class II or Form 1222 for Class I)

Employers not reporting through the Comptroller General's payroll system must submit a detail report of individual member records for each quarter. The *Standard Retirement Quarterly Report* (Form 1221 for Class II or Form 1222 for Class I) is due to the Retirement Systems' office according to the dates outlined on the *Due Date Calendar* (Form 1341). This report may be completed either on paper or electronically. The Retirement Systems recommends electronic reporting. Employers who report electronically may request access to our EES system (see *Electronic Employer Services Education* on page 48). Detailed instructions for completing the *Standard Retirement Quarterly Report* (Form 1221 for Class II or Form 1222 for Class I) on paper can be found on page 2 of the form.

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Electronic Reporting

The South Carolina Retirement Systems offers a diskette employer reporting system that runs in MS-DOS on most standard IBM-compatible personal computers. This system may be used to mail each quarterly report to the Retirement Systems on a diskette rather than on a typed form or a computer-generated report.

The diskette employer reporting system is designed to build a computer database of all employees being reported, thus eliminating the need to key or type the same information every quarter. For more information regarding this **free software**, please contact Data Processing at 803-737-6928, or contact Customer Services at 1-800-868-9002, 803-737-6800, or cs@scrs.state.sc.us.

The Retirement Systems accepts electronic data submissions for quarterly reports that follow the format specified on pages 28-33.

Employee Record File Definition for Periodic Report by Magnetic Tape or Diskette

Header Record

Field Data Descriptions

Field Name	Length	Alpha/Numeric	Position	Field Description
Record Identifier	1	A	1	Enter "H" for Header
Transaction Type	2	A	2 - 3	Enter "CO" for Contribution
Employer Code	5	N	4 - 8	5-digit employer code number
Employer Name	40	A	9 - 48	Employer Organization Name
Cycle Code	1	A	49	Q=Quarterly, M=Monthly
Begin Period Date	8	N	50 - 57	Beginning date of the reporting period (yyyymmdd)
End Period Date	8	N	58 - 65	Ending date of the reporting period (yyyymmdd)
Process Type	1	A	66	D=Detail (E=Exception: for later use)
Record Count	6	N	67 - 72	Total number of records sent, including headers
Total Deferred	11	N	73 - 83	Total amount of retirement contributions
For Future Use	11	A	84 - 94	Leave blank (reserved for future use)
Date Processed	8	N	95 - 102	Date employer processed this report (yyyymmdd)
For Future Use	18	A	103 -120	Leave blank (reserved for future use)

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Explanation of Fields

Record Identifier	This is always "H." It identifies the record as an employee report header record.
Transaction Type	This is always "CO." It identifies this report as a group of contributions.
Employer Code	The 5-digit employer identification code number listed with the Retirement Systems. Employer code 734.01 would be entered as 73401. If your organization currently reports under multiple numbers (i.e., one for SCRS and one for PORS), report all transactions under the SCRS (or primary) number and use the SCRS Account field to differentiate.
Employer Name	The official name registered with the SC Retirement Systems.
Cycle Code	The cycle or period of this report. If reporting quarterly, enter 'Q'. If reporting monthly, enter "M."
Begin Period Date	This is the first date of the period being reported. July 1, 2003, would be entered as 20030701.
End Period Date	This is the last date of the period being reported. September 30, 2003, would be entered as 20030930.
Process Type	This is always "D" (Detail).
Record Count	This is the total of all header and detail records in the report.
Total Deferred	This is the sum of all retirement contributions from this report's detail records. Do not use decimals. \$11450.75 would be entered 00001145075.
Date Processed	This is the date the employer created the report. October 15, 2003, would be entered as 20031015.

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Employee Record File Definition for Periodic Report by Magnetic Tape or Diskette Detail Record

Field Data Descriptions

Field Name	Length	Alpha/Numeric	Position	Field Description
Record Identifier	1	A	1	Enter "D" for Detail
Transaction Type	2	A	2 - 3	Enter "CO" for Contribution
Employer Code	5	N	4 - 8	5-digit employer code number
Mailing Location	5	A	9 - 13	Political Department Code: optional
SSN	9	N	14 - 22	Employee's Social Security Number
Employee Name	33	A	23 - 55	Employee's Name (last first mi suffix)
Begin Period Date	8	N	56 - 63	Optional. Begin date of report for this employee if different from begin period date on header (yyyymmdd)
End Period Date	8	N	64 - 71	Optional. End date of report for this employee if different from end period date on header (yyyymmdd)
SCRS Account	1	N	72	1=SCRS Class 2, 3=PORS Class 1, 4=PORS Class 2, 7=GARS, 8=JSRS
ORP-Retiree Indicator	1	A	73	"Y" if ORP wages; "R" if Retiree wages; otherwise blank
Period Compensation	9	N	74 - 82	Salary/wages paid during this period
Deferred Contributions	9	N	83 - 91	Amount of retirement contributions for this period
For Future Use	9	A	92 - 100	Leave blank: reserved for future use
Contract Length	2	N	101- 102	Number of months in a year that equates to full time employment (see page 20)
Months Paid Cycle	2	N	103- 104	Number of months paid in this period
For Future Use	16	A	105- 120	Leave blank: reserved for future use

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Explanation of Fields

Record Identifier	This is always "D." It identifies this record as an employee report detail record.
Transaction Type	This is always "CO." It identifies this detail record as a contribution.
Employer Code	The 5-digit employer identification code number listed with the Retirement Systems. Employer code 734.01 would be entered as 73401.
Mailing Location	This is a department code. It is helpful during the distribution of yearly statements for larger employers. Leave blank if not applicable.
SSN	The employee's Social Security number. SSN 123-456-789 would be entered as 123456789.
Employee Name	Name of the employee. The order of entry is last name, first name, middle initial, and suffix separated by a single space (e.g., Jones John C Jr.). Do not use punctuation in this field.
Begin Period Date	(Optional) Begin date of report for this employee if different from begin period date on header. August 15, 2003, would be entered as 20030815.
End Period Date	(Optional) End date of report for this employee if different from end period date on header. September 15, 2003, would be entered as 20030915.
SCRS Account	This is the code number that applies to the type of retirement system under which the employee is covered.
ORP-Retiree Indicator	"Y" if wages are under the State Optional Retirement Program. "R" if wages are for a Retiree. Otherwise leave blank. If "Y" (ORP), wages and deferred contribution amounts will be zero. If "R" (Retiree), wages should be reported but deferred contributions will be zero.
Period Compensation	Enter the gross salary subject to retirement contributions. Do not use decimals. \$1230.75 would be entered 000123075.
Deferred Contributions	Enter the amount of retirement contributions during the period for the member. Do not use decimals. \$60.19 would be entered 000006019.
Contract Length	The number of months that an employee receives compensation during a fiscal year. Examples: 12 = a typical year-round employee, 10 = teacher paid over 10 months, 9 = teacher paid over nine months. If the employee is scheduled for 9.5 months, round down to the nearest full month.

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Months Paid Cycle The number of months paid during the period, normally "1," "2," or "3." For example: if payroll is bimonthly and an employee receives one or two paychecks in the quarter, enter "1." If an employee receives three or four paychecks, enter "2."

Note: All numeric data fields are to be right justified with **leading zeros**. Signs are permitted. No decimals or commas are permitted, equivalent to picture S9(7)V99. Packed, binary, and compressed fields are not permitted. Binary zeros are invalid anywhere on the file. All alphanumeric data fields are to be left justified. Enter all alphabetic characters as capital letters.

Format Specifications

The Retirement Systems allows the reporting of quarterly payroll information using the following types of media:

Magnetic tapes – ½ inch tapes labeled or unlabeled 800, 1600, and 6250 BPI. ASCII or EBCDIC format.

Magnetic cartridges – 3480 - the data should be uncompressed.

Diskette (3 ½ inch) & Compact Discs - MS-DOS (.txt file)

If data is created on an AS-400 system, the media needs to be converted to a PC-DOS format.

Approval and Testing

The Retirement Systems requires that a test diskette or tape be submitted and approved before magnetic media reporting may begin. The Retirement Systems will notify employers after a successful test has been completed.

All test diskette or tape media should be labeled clearly as a test. It is essential that this test include a complete file of contributing members. The test period is necessary to verify that all reporting requirements are met. It also allows employers to continue providing paper reports while the testing is in process. See pages 28-31 for the record layout. Please have the appropriate personnel review this information and direct any questions to Data Processing at 803-737-6928.

Cooperation in this endeavor will result in a substantial cost savings to the Retirement Systems, its members, and participating employers.

Procedures

The file transmitted to the Retirement Systems for quarterly payroll information reporting must consist of an employer header record followed by employee detail records.

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The Record Count on the header record should match the number of detail records for that employer code plus one. The Total Deferred on the header record should equal the total of all detail amounts for that employer code. These figures will be matched to the totals reported on the form accompanying the contribution payment. **These totals must match exactly.** Employer Services will contact employers if a discrepancy is discovered.

Employers should always keep a backup copy of each quarterly report since diskettes are not returned to employers. Diskettes must be mailed in a diskette mailer.

Changes to Electronic Reporting

When reporting electronically, if changes need to be made to the current quarterly data after the report has been completed, use the *Adjustments to Magnetic Reports* (Form 1223) to note the changes. Use the *Adjustments to Magnetic Reports* (Form 1223) when making an adjustment to the current quarter only. Adjustments to previous quarters must be made on the *Supplemental Contribution Report* (Form 1225) (see *Supplemental Contribution Report* on page 34). Employers should complete the heading information with employer code, employer name and address, and the quarter ending date.

- List totals for SCRS wages, SCRS contributions, PORS wages, PORS contributions, SCRS retiree wages, and PORS retiree wages from the electronic report on the first line of the form.
- List only those members requiring an adjustment. List each member's name in sequence of last name, first name, and middle initial with no punctuation.
- List members in ascending order by Social Security number. Account numbers are "1" for SCRS and "4" for PORS.
- List members in account order. List SCRS members first, then PORS members.
- Include only the amounts necessary to correct the account balance.

Delinquent Reports

Upon receipt of a delinquent payment, interest will be assessed on the delinquent payment and an invoice will be issued to the employer. If any employer has not provided the Retirement Systems with the required records or full amount of contributions due from members and the employer, the Retirement Systems may request that any funds payable to an employer through the State Treasurer or Comptroller General be withheld until the employer is no longer in default for the payment of contributions or submission of required reports.

Late Notice Letters

A late notice letter is automatically generated from Employer Services if a monthly deposit is not received within three days after the due date. The "date received" is the date the funds were received by the Retirement Systems, not the postmark date. A late notice is sent within 10 days of quarterly due dates if a deposit is not received, a *Standard Retirement Quarterly Report* (Form 1221 for Class II or Form 1222 for Class I) is not received, or if an unacceptable variance exists

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between a *Quarterly Contribution Report Summary* (Form 1246 for Class II or Form 1247 for Class I) and a *Standard Retirement Quarterly Report* (Form 1221 for Class II or Form 1222 for Class I).

Supplemental Contribution Report (Form 1225)

If corrections are required after a *Standard Retirement Quarterly Report* (Form 1221 for Class II or Form 1222 for Class I) has been submitted, a *Supplemental Contribution Report* (Form 1225) must be completed to make the corrections. Detailed instructions are on the *Supplemental Contribution Report* (Form 1225). Forms are available on the Retirement Systems' Internet Web site at www.retirement.sc.gov. Only report one fiscal year per *Supplemental Contribution Report* (Form 1225).

All information should be submitted by quarter. Do not cross fiscal year or quarter dates when completing the form. Contributions submitted on the *Supplemental Contribution Report* (Form 1225) must be the amount required to bring the salary and contributions to the correct amount for the reporting period. If information was processed for the member in question on the quarterly report, first show a reversal (negative) of this incorrect posting. Then indicate the total correct compensation and contribution amounts on the next line.

Example

Contributions of \$250 were reported on the *Standard Retirement Quarterly Report* (Form 1221 for Class II or Form 1222 for Class I). Correct contributions should have been \$200. The original entry should be entered on the *Supplemental Contribution Report* (Form 1225) and placed in brackets [\$250]. The next line will reflect the corrected information: wages \$200, contributions, contract length, or months paid.

The appropriate employer contribution adjustments also must be submitted on the *Supplemental Contribution Report* (Form 1225). These contributions would include Group Life Insurance and the Accidental Death Program (if applicable). The Retirement Systems requires that the *Supplemental Contribution Report* (Form 1225) be signed and dated by an employer's authorized reporting official. If additional contributions are due to the Retirement Systems, payment must be remitted with the *Supplemental Contribution Report* (Form 1225) for processing. If excess funds are due to the employer from the Retirement Systems, the Retirement Systems will issue a credit invoice to the employer when the report is reconciled.

Supplemental Service Report (Form 1224)

The *Supplemental Service Report* (Form 1224) is the report employers must use when submitting contributions for members on leave without pay who, under certain circumstances, can continue to submit contributions during the leave period. Detailed instructions are on the *Supplemental Service Report* (Form 1224). Forms are available on the Retirement Systems' Internet Web site at www.retirement.sc.gov. Only report one fiscal year per *Supplemental Service Report* (Form 1224).

All information should be submitted by month. Do not cross fiscal year or quarter dates when completing the form. Employees are permitted, at their option, to continue contributions while in a leave-without-pay status in one of the leave statuses listed and described on page 35. Employees must not be terminated from active employment. If an employee chooses to continue contributions

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while on an approved leave of absence, the employer is required to submit the employer contributions with the *Supplemental Service Report* (Form 1224).

Type of Leave	Status Code
Military Leave	59
Workers' Compensation	61
Charter School	72
Furlough Program	73
Special Monthly Contributor	34

Military Leave of Absence

An active member called to active military duty may make arrangements with his or her employer prior to the leave to continue to remit monthly contributions. The contributions are based on the member's salary immediately prior to the leave and must be reported through the employer. Contributions submitted during this leave status are not subject to the insurance surcharge, Group Life Insurance contributions, or Accidental Death Program (PORS only) contributions.

The Uniformed Services Employment and Reemployment Rights Act (USERRA) provides guidelines for maintaining an employee's civilian benefits intact despite the employee's leave for service in the military. Under USERRA, an employee is entitled to receive retirement service credit for a period of military leave if he or she makes the required employee contributions within a period of not more than three times the length of the person's military service (not to exceed five years) from the date of reemployment. For example, a person on leave for six months would have up to 18 months to remit his or her employee contributions (on a pre-tax basis) via the supplemental reporting procedure. See *Supplemental Service Report (Form 1224)* on page 34. No interest is charged if payment is received in full within the specified time limit. After the USERRA designated time limit has expired, a member establishing credit for the permissible period of military leave must do so in accordance with normal service purchase rules.

Workers' Compensation

An active member may continue contributions during the period in which he or she is receiving Workers' Compensation. The cost to establish this service is based on what would have been paid if the member were working full-time, using the member's salary immediately prior to the injury. Contributions submitted during this leave status are not subject to the insurance surcharge, Group Life Insurance contributions, or Accidental Death Program (PORS only) contributions.

Charter School Employment

Charter schools established under the South Carolina Charter Schools Act, except for those converted from other schools, are not required to participate in the Retirement Systems. Charter schools may elect to join the Retirement Systems. If a charter school has not elected to participate in the Retirement Systems, SC Code Ann 59-40-130 provides for the continued membership of an employee on leave from a local school district to be employed at a charter school for a period up to

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five years. If an employee on leave elects to continue contributing to the Retirement Systems during the period of approved leave, the member's compensation and contribution amounts should be submitted monthly via the *Supplemental Service Report* (Form 1224). An employer's Group Life Insurance contributions and retiree health insurance premium surcharge are due on charter school compensation.

Furlough Program

The General Appropriations Act for fiscal year 2004 authorizes agency heads and school district boards of trustees to implement furlough programs under specific conditions. Employers are required to contribute both the employee and employer contributions to the Retirement Systems to maintain employee retirement benefits during a furlough period. The *Supplemental Service Report* (Form 1224) is used to report members participating in the furlough program. An employer's Group Life Insurance and Accidental Death Program (PORS only) contributions, and retiree health insurance premium surcharge are due on furlough compensation.

Special Monthly Contributor (SCRS Only)

An active SCRS member who terminates employment with at least 25 years of retirement service credit is eligible to continue contributing both the employee and employer contributions until he or she reaches 28 years of service credit. The following guidelines apply:

- The member should contact the Retirement Systems to obtain confirmation of total service earned as of the time of termination and provide this information to the employer;
- The member must arrange with his or her former employer to remit monthly contributions before terminating employment;
- The member's last employer must notify the Retirement Systems of the member's participation in the program, the effective date of termination of active employment (beginning date for buy-in program), and the member's full rate of pay at the time of termination;
- The contributions will increase each year as the salary for the member's former position increases. It is the obligation of the last employer to notify the member of the cost due upon commencement of the program and of any subsequent changes in the applicable salary base or contribution rates (generally annually). An employer is not obligated to bill the employee monthly or perform any collection efforts;
- The monthly remittances are due to the Retirement Systems no later than 30 days after close of the month to be credited;
- The employee is obligated to remit the necessary funds to the employer in sufficient time to be forwarded to the Retirement Systems in accordance with prescribed due dates;
- There is **no** provision for retroactive credit under this program. If remittance for a month is not received by the prescribed due date, then that month **cannot** be credited after the due date;
- The employee is also obligated to submit a retirement application to the Retirement Systems after completion of the Special Monthly Contributor buy-in period. The Retirement Systems will not notify the member upon the attainment of 28 years of service;

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- A Special Monthly Contributor does **not** continue eligibility under the active group life insurance program and **cannot** purchase other types of service (military, non-member, etc.) during the buy-in period; and
- The Special Monthly Contributor buy-in program **does not** qualify for participation in the Installment Service Purchase Program.

The beneficiary of a Special Monthly contributor is eligible for the Group Life Insurance benefit if the last day the member earned regular compensation and service credit was not more than 90 days before the member's date of death. Similarly, if a Special Monthly Contributor dies, a survivor annuity will be paid under payment plan Option B only if the member's death occurs within 90 days of his or her last day of regular earned compensation and service credit. The beneficiary of a Special Monthly Contributor whose date of death is more than 90 days after his last day of regular earned compensation and service credit would be eligible for a lump-sum refund of the member's contributions plus earned interest only. If, however, the Special Monthly Contributor were at least age 55 with 25 years of service, or age 60, on his date of death, his beneficiary would have the choice of a monthly survivor annuity or the lump-sum refund.

ORP Supplemental Contribution Report (Form 1264)

An *ORP Supplemental Contribution Report* (Form 1264) should be filed to correct any errors reported for ORP participants in the State ORP program. For example, if an individual was reported as SCRS on the *Standard Retirement Quarterly Report* (Form 1221 for Class II or Form 1222 for Class I) but should have been reported as ORP, a *Supplemental Contribution Report* (Form 1225) must be filed to reverse the SCRS transaction. Complete an *ORP Supplemental Contribution Report* (Form 1264) to properly report the individual as a State ORP participant.

Inactive Employer Accounts

The Retirement Systems requires all employers to submit the *Monthly Deposit* (Form 1244 for Class II or Form 1225 for Class I) and the *Quarterly Contribution Report Summary* (Form 1246 for Class II or Form 1247 for Class I) when due. If an employer does not have any members on payroll for the applicable reporting period, the employer must submit the *Monthly Deposit* (Form 1244 for Class II or Form 1225 for Class I) or *Quarterly Contribution Report Summary* (Form 1246 for Class II or Form 1247 for Class I) and check the "no covered wages" box on the form. This information will facilitate processing and alert Employer Services to not call concerning delinquent payments. If an employer anticipates a period of inactivity of more than one quarter, the employer should submit written documentation to inactivate the employer's account. Should an employer later hire employees eligible for enrollment, the employer must contact the Retirement Systems to reactivate coverage.

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Service Credit

Active contributing members may establish additional service credit for various types of previous employment and leaves of absence, and may establish up to five years of non-qualified service. Descriptions of these types of service follow. The cost for purchasing periods of service less than one year will be prorated.

Earned Service

Earned service is paid employment as an employee during which regular contributions are paid to the Retirement Systems. Members enrolled in the Retirement Systems on or after January 1, 2001, must have five years of earned service to be eligible to receive service or disability retirement annuities, or to qualify a survivor for a monthly annuity after an in-service death. This requirement does not apply to disability retirement eligibility if the disability is the result of a job-related injury.

\$350 Rule

If a Class I or Class II SCRS member or a Class II PORS member earns at least \$350 in a month, he or she will receive a full month of service credit. If a Class I or Class II SCRS member or a Class II PORS member earns less than \$350 in a month, he or she will receive a portion of the month's service credit equal to the percentage of \$350 he or she earned in the month.

A Class I PORS member will receive a full month of service credit if he or she contributes at least \$21 per month.

Example

A member earns \$175.00 per month. $\$175.00 \div \$350.00 = 50$ percent (a half-month of service credit). Half of a 30-day month = 15 days.

Purchased Service Public Service

A member may establish service credit for any period of paid public service. This is service as an employee of the government of the United States, a state, or a political subdivision of the United States. The cost is 16 percent of current earnable compensation or career highest fiscal year earnable compensation, whichever is greater, for each year purchased. If a member has established State ORP service in SCRS, the member's career highest earnable compensation includes his or her earnable compensation in either State ORP or SCRS. A member may not purchase service for a period of public service for which the member may receive a retirement annuity from another defined benefit retirement plan. Student employment, other than as a bus driver, is not eligible for purchase.

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Educational Service

A member may establish service credit for any period of paid classroom teaching consisting of grades kindergarten through 12 in a public, a private, or a sectarian school. The cost is 16 percent of current earnable compensation or career highest fiscal year earnable compensation, whichever is greater, for each year purchased. If a member has established State ORP service in SCRS, the member's career highest earnable compensation includes his or her earnable compensation in either State ORP or SCRS. A member may not purchase service for a period of educational service for which the member may receive a retirement annuity from another defined benefit retirement plan.

Military Service

A member may establish up to six years of credit for any period of military service. This includes service in the United States Army, Navy, Marine Corps, Air Force, Coast Guard, Select Reserves, and Army National Guard or Air National Guard. The cost is 16 percent of current earnable compensation or career highest fiscal year earnable compensation, whichever is greater, for each year purchased. If a member has established State ORP service in SCRS, the member's career highest earnable compensation includes his or her earnable compensation in either State ORP or SCRS. A member's discharge from service must be under conditions other than dishonorable. A member called to active duty may also arrange in advance with his or her employer to continue contributing while on an employer-approved leave of absence. Military service credit may not overlap earned service (service for which regular contributions have been paid to the system) or other purchased service.

Leave of Absence

An active contributing member on an employer-approved leave of absence who returns to covered employment within four years may purchase service credit for the employer-approved leave period, up to a maximum of two years per leave of absence. The leave of absence must be with an employer participating in the Retirement Systems. The cost is 16 percent of current earnable compensation or career highest fiscal year earnable compensation, whichever is greater, for each year purchased. If a member has established State ORP service in SCRS, the member's career highest earnable compensation includes his or her earnable compensation in either State ORP or SCRS.

Workers' Compensation

A member may establish service credit for a leave-of-absence period during which the member is receiving Workers' Compensation benefits. The cost is based on contributions plus interest using the member's earnable compensation at the time of injury. A member may also arrange in advance with his or her employer to continue contributing while the member is receiving Workers' Compensation benefits. Employers should encourage members who are applying for disability retirement to do so as soon as possible and prior to being terminated from payroll.

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Previously Withdrawn Service

A member who left employment and received a refund of member contributions plus interest may reestablish this service upon returning to active membership. The member must repay the amount withdrawn plus interest to the date the member's request is received. Earned service previously withdrawn and reestablished counts towards the five-year earned service requirement for benefit eligibility.

Special Monthly Contributor (SCRS Only)

An SCRS member who has at least 25 years of service may elect to receive up to three additional years of service credit by paying the employee and employer contributions based on the earnable compensation amount in effect during those years. Contributions under this program begin at the time of termination from covered employment and are remitted to the Retirement Systems on a monthly basis through the employer. Contributions for periods of less than one month will be prorated.

A Special Monthly Contributor cannot purchase additional service unless he or she returns to covered employment. If a Special Monthly Contributor returns to covered employment and purchases non-qualified service, the purchased special contributor and non-qualified years cannot exceed five years of service credit per Internal Revenue Service (IRS) restrictions.

Non-Qualified Service

An active contributing member who has five or more years of earned service credit may establish up to five years of non-qualified service. The cost is 35 percent of current earnable compensation or career highest fiscal year earnable compensation, whichever is greater, for each year purchased. If a member has established State ORP service in SCRS, the member's career highest earnable compensation includes his or her earnable compensation in either State ORP or SCRS. If a Special Monthly Contributor returns to covered employment and purchases non-qualified service, the purchased special contributor and non-qualified years cannot exceed five years of service credit per IRS restrictions.

Transfer from SCRS (PORS Only)

A former member of SCRS may transfer non-concurrent (not earned at the same time) SCRS service credit to his or her PORS account by paying 5 percent of his or her current earnable compensation for each year transferred. The member's SCRS contributions plus interest are then permanently transferred to the member's PORS account.

State ORP Service

An active contributing member may purchase service credit for his or her years of participation in the State ORP administered by the South Carolina Retirement Systems. The cost is 16 percent of current earnable compensation or career highest fiscal year earnable compensation, whichever is greater, for each year of service purchased. A member's career highest earnable compensation includes the earnable compensation the member received while participating in the State ORP

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Program. A member may not purchase service for a period of State ORP participation for which the member may receive a retirement annuity from another defined benefit retirement plan.

Convert Class I to Class II (SCRS)

A Class II SCRS member who still has Class I service may convert the Class I service to Class II service by paying 2.5 percent of his or her current earnable compensation or the average of the 12 highest consecutive quarters of earnable compensation, whichever is greater, for each year of service converted.

Convert Class I to Class II (PORS)

A Class II PORS member who still has Class I service may convert the Class I service to Class II service by paying 5 percent of his or her current earnable compensation for each year of service converted, less \$16 per month for each month converted. PORS Class I service earned prior to July 1, 1974, has an employer match of 1.5 percent of the member's earnable compensation multiplied by the years and months of service to be converted. PORS Class I service earned after July 1, 1974, has an employer match of 2.5 percent of the member's earnable compensation multiplied by the years and months of service converted.

How to Obtain a Cost for Purchasing Service

If a member wishes to obtain a cost to establish service credit or to obtain an updated cost on a previously calculated service purchase, the member must complete a *Request for Service Purchase Cost* (Form 2101). The member should include the supporting documents requested on page 2 of the *Request for Service Purchase Cost* (Form 2101) when submitting the form to the Retirement Systems. Employers are encouraged to maintain a supply of these forms. Forms are available on the Retirement Systems' Web site at www.retirement.sc.gov and through the EES Web site (for employers with EES access) at www.scrs.state.sc.us/ees. A member may also submit a service purchase request by contacting Customer Services at 1-800-868-9002, 803-737-6800, or cs@scrs.state.sc.us. Once the Retirement Systems receives a member's *Request for Service Purchase Cost* (Form 2101), additional forms, if necessary for the type of service for which a cost is being calculated, may be sent to the member for completion. If all information is readily available, the member should receive a *Member Service Payment Invoice* within 30 days. Payment invoices are valid for six months.

All member service calculations are audited after receipt of the member's payment and, as a result of the audit, are subject to revisions in both the period of service to be credited and the cost of the service. If a member has purchased service for retirement eligibility, he or she should not leave employment until the service purchase audit is complete. If the retirement eligibility date cannot be established without the service purchase, the retirement date will be no earlier than the date of payment. Service purchase payments received after a retirement date will not be retroactive to the member's date of retirement.

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How to Purchase Service

Members may purchase service credit by a lump-sum payment, an installment service purchase (after-tax plus interest), or a tax-deferred rollover from the South Carolina Deferred Compensation Program's 401(k) and 457 plans, or from a 403(b) plan, another qualified retirement plan, or an Individual Retirement Account (IRA). The cost for purchasing periods of less than one year will be prorated.

Active contributing members may purchase each type of service credit once within a fiscal year. If a member is purchasing service to meet retirement eligibility, the member should contact Customer Services at 1-800-868-9002, 803-737-6800, or cs@scrs.state.sc.us for more information. **A member must remit payment for service purchases in full prior to the member's retirement date or termination from employment.**

Installment Service Purchase Program

The Installment Service Purchase Program is available to active members who wish to purchase additional service credit without remitting a lump-sum payment. When a member elects to participate in this program, the Retirement Systems credits the member's account for the total cost of the service and the total service credit being purchased. The member's employer then payroll deducts the payments each pay period from the member's salary. Installment payments are **after tax** deductions; they are not tax deferred like a member's retirement contributions. **A member must pay his or her installment purchase in full prior to the member's anticipated retirement date or termination. Service will be prorated if the full balance is not received.** For more information about installment service purchases, contact Customer Services at 1-800-868-9002, 803-737-6800, or cs@scrs.state.sc.us, or the Service Accounting Department at 803-737-6905.

Interest Rate

A fixed rate of interest applies to the unpaid balance of an installment service purchase for the duration of the installment. The Service Accounting Department adjusts the interest rate for new participants in this program every July 1 to the prime rate plus 2 percent. The current interest rate is 6.25 percent for new installment accounts activated July 1, 2003, through June 30, 2004. The interest rate is fixed for the term and does not change for members already purchasing service through the Installment Service Purchase Program.

Eligibility Criteria

Requirements for participating in the Installment Service Purchase Program are as follows:

1. The individual must be an active contributing member;
2. The total cost of service must be at least \$500 or the period of service being established must be at least six months; and
3. The maximum installment payment period is two years for each year of service purchased.

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How to Participate in the Installment Service Purchase Program

1. A member must complete and return a *Request for Service Purchase Cost* (Form 2101). The Service Department will verify the additional service and provide the member with a *Member Service Payment Invoice*.
2. After receiving a *Member Service Payment Invoice*, the member should complete the bottom section indicating the installment type, payment amount required (amount due), down payment amount (optional), amount to be financed (member payment less down payment), number of months to be financed, and pay frequency (number of checks received per year). The member should then return the invoice to the Service Accounting Department.
3. After processing, the Service Accounting Department will return to the member a *Payroll Withholding Authorization* (Form 3216). The member should verify all information, sign the form, and return it to the Service Accounting Department with any optional down payment.
4. Upon receipt of all signed documents, the Service Accounting Department activates the installment service purchase and initiates the payroll deduction.

Employers on the Comptroller General's Payroll System

If a member's employer is on the Comptroller General's payroll system, the Service Accounting Department submits a completed *Comptroller General Withholding Deduction Form* (Form 3318) directly to the Comptroller General's office. This form authorizes and initiates the payroll deduction. The Comptroller General's Office then submits remittances for each payroll directly to the Retirement Systems.

Employers Not on the Comptroller General's Payroll System

If a member works for an employer not on the Comptroller General's payroll system, the employer is responsible for initiating the payroll deduction. The following reporting procedures apply:

1. Installment payments do not affect current monthly or quarterly contribution procedures. A separate remittance is required. Checks should be made payable to the South Carolina Retirement Systems. Only one check is required for all systems.
2. The employer must attach a detailed report with each check that includes the following:
 - Employer name;
 - Primary employer code;
 - Payroll date;
 - Member name(s);
 - Member Social Security Number(s);
 - Member deduction amount(s); and
 - Total amount of remittance.

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Payments on an Installment Service Purchase

1. Payments are due to the Retirement Systems five days after each payday. Late remittance of payments results in the continued accrual of interest on a member's account until the date payment is received.
2. If a member terminates employment, retires, or dies prior to paying the installment purchase in full, the member or the beneficiary has the option to pay the remaining balance in full to obtain full service credit, or to take the prorated portion of the original service and contributions based on principal payments already made.
3. A member may make additional payments at any time and apply them directly to the principal of the installment note. A member may pay an installment note in full ahead of time by calling and getting a payoff for the date by which the member wants to pay the loan in full. There is no penalty for early payment in full of a note.
4. A member with funds in the South Carolina Deferred Compensation Program's 401(k) or 457 plan, a 403(b) plan, another qualified retirement plan, or an IRA, may rollover funds at any time to:
 - Use as a down payment when establishing the installment note;
 - Use as a principal payment after the note is established; or
 - Satisfy the installment note.

When the Installment Purchase Nears Maturity

The employer will be notified of the final installment payment and due date. After receipt of the final payment, the Service Accounting Department will notify both the member and the employer that the installment purchase is complete. Once the employer receives notification that the installment purchase is paid in full, the employer **should not** remit any additional payments. Any remittances received after a note is paid in full will be refunded directly to the member.

Customer Services

Customer Services offers consultations through its Call Center, Internet email, videoconferencing, and walk-in or appointments in our Columbia office. Customer Services provides customer claims processing of service and disability retirement, deferred annuities, continuing disability reviews, Medical Board, death payment claims, Group Life Insurance, and Accidental Death Program. Customer Services also provides claim payment calculation, on-site customer training and pre-retirement education, and manages a visitors' center through which all customer visits are coordinated. Areas of responsibility are as follows:

Customer Consultations

- Call Center;
- Internet email;
- Walk-in and appointments at Columbia office;
- Videoconferencing consultations; and
- Retirement consultations/pension plan counseling.

Members with scheduled appointments and members without scheduled appointments (walk-ins) are welcome. For consultations, members are encouraged to arrive prior to 4 p.m.

Customer Claim Processing and Claim Payment Calculation

- Deferred annuities; service and disability retirement; refunds;
- Accidental death; Group Life Insurance; death benefits (active/inactive member, retiree, and beneficiary); and
- Medical Board; continuing disability reviews and reconsiderations.

Customer Field Education

On-Site Field Education Visits to Employer Customers

The Customer Services Field Education Unit makes on-site visits to outlying participating SCRS and PORS employers throughout the state. Each Field Education representative is assigned a group of employers based on geographic proximity (see map on page 46). The representatives meet with their assigned employers' Retirement Systems liaisons twice each year: generally once in July or August and once in December or January.

During their on-site visits with employers, Field Education representatives:

- Conduct reviews and assist employers with retirement reporting, claims' procedures, updates, and forms;
- Ensure that the employers have a supply of the most current Retirement Systems forms;

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- Train employers in reporting procedures and forms completion for contribution reporting, refunds, death claims, service annuities, disability retirement, Group Life Insurance and the Accidental Death Program;
- Review proposed and passed legislation;
- Conduct SCRS and PORS overviews; attend benefits fairs;
- Assist employers in pre-retirement educational needs;
- New employer orientation visits;
- Train benefits administrators;
- Ensure accurate reporting and compliance with laws and regulations governing the Retirement Systems;
- Encourage quarterly filing through magnetic media, which would allow EES participation; and
- Educate SCRS and PORS employers whose technology meets EES requirements about its implementation and usage.

Customer Education Field Representation by County



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Since specific member information is not readily available to the Customer Services Field Education staff while they are making on-site employer visits or educational presentations outside of the office, we encourage employers to contact Customer Services at 1-800-868-9002, 803-737-9002, or cs@scrs.state.sc.us for such assistance. To facilitate our response to your email inquiry, please place your employer code number in the email subject line.

New Employer Orientation Meetings

The Field Education Unit conducts orientation and training meetings for qualified employers who have expressed an interest in becoming a participating Retirement Systems' employer. Our representatives provide information about:

- Membership eligibility;
- The Participating Employer Procedures Manual;
- Specific reporting;
- Employer liability;
- Quarterly reporting through magnetic media;
- The EES program; and
- General retirement information.

Customer Educational Training Sessions

Within geographically assigned areas, or at the request of management, Field Education representatives participate in employer sponsored pre-retirement seminars, SCRS/PORS benefit overviews, EES training sessions, employer training sessions, and other customer educational training sessions.

To be placed on the Retirement Systems' Customer Education training calendar, employers should complete the training request survey mailed to each employer in the last quarter of each fiscal year for the upcoming fiscal year. Your training survey responses are an essential component of our planning process and help ensure adequate staffing and maximization of limited resources. After the Retirement Systems receives the completed training surveys, a tentative fiscal year training calendar is developed and forwarded to all employers.

After being advised of placement on the fiscal year training calendar, employers should provide Customer Services with an agenda and/or letter to confirm or cancel our participation at least 30 days prior to the scheduled pre-retirement education seminar, SCRS/PORS overview, or benefits' fair. Please fax this information to the attention of the Customer Services' Field Education Manager, Shawn Holman, at 803-737-7461, or contact us by email at cs@scrs.state.sc.us. If we do not receive written confirmation from you 30 days before the scheduled training event, we cannot guarantee our participation. Please try to ensure a minimum of 25 attendees, or plan for your employees and/or eligible retirees to attend a regional pre-retirement education seminar the Retirement Systems schedules once during each fiscal year.

When you complete your annual training survey, you may indicate an unspecified date; however, as soon as you have set a date, please advise us of such date via email or fax (see above

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information). Since our participation will be based on the dates still available on the Field Education training calendar, we encourage you to lock in your preferred date on the training calendar as early as possible at the beginning of each fiscal year.

Electronic Employer Services Education

Customer Field Education provides Electronic Employer Services (EES) training to any Internet capable employer that does not submit its quarterly contributions to the Retirement Systems via paper. The EES system allows employers to access an almost unlimited amount of information about an employee's retirement account through a specially designed, secure website. **The information provided through the secured EES Web site is available only to authorized users.** Employers participating in the EES program are issued a user identification and a personal identification number (PIN) by the Retirement Systems. The information accessed is considered confidential and, as such, is not to be disclosed to anyone other than the Retirement Systems member or other authorized user. Only an employee's primary employer can access the employee's detailed information. EES is free and available to employers who file quarterly reports through magnetic media. To participate, employers must have Internet access and a browser (Microsoft Internet Explorer, Netscape, etc.). For more information on EES, contact Customer Services at 1-800-868-9002, 803-737-6800, or cs@scrs.state.sc.us.

Benefit Estimates Via EES

EES benefit estimates, known as READI (Retirement Estimate Access Direct from the Internet), may be used to help a member prepare for retirement. This function, which is accessed through the EES Web site, provides for both an online benefit estimate and a calculation of the average final compensation. READI projects an estimate of a member's retirement benefit. The results are based on estimates calculated from the information provided.

How to Contact Customer Services

By Telephone

1-800-868-9002
803-737-6800

By Fax

803-737-7594

By Email

cs@scrs.state.sc.us

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What a Call Center Consultant Can Do For Members Online

- Assistance in any Retirement Systems matter;
- Provide retirement consultations, pension plan counseling, and benefit estimates by phone;
- Benefit estimates computed and mailed within one to three days of request;
- Benefits/Payroll IRS Form 1099-R requests keyed;
- Change address online for active or inactive members who are not receiving an annuity and who do not have a disability or refund application on file with the Retirement Systems;
- Explanation of correspondence received;
- Explanation of forms;
- In-service death benefits;
- Mail duplicate forms 6201 and 6202 if an application is on file;
- Member installment balance;
- Member statements mailed to address on file or faxed with proper identification;
- Online retirement consultations as well as detailed problem resolution on customer's behalf through research and technical memos to other Retirement Systems departments with follow-up calls to members and retirees in the following areas:
 - Accidental Death Program;
 - AFC issues;
 - Death claims;
 - Disability retirement eligibility and claims;
 - Earnings limit questions;
 - Field education;
 - Group Life Insurance;
 - Membership/vesting;
 - Pension fund audit disclosure mailings;
 - Refund duplicate IRS Form 1099-R requests keyed;
 - Refund request;
 - Reports of death (active, in-service, retirees, beneficiary, and survivors);
 - Retiree payroll issues;
 - Service audit issues;
 - Service credit;
 - Service purchase issues and request;
 - Service retirement (application process, eligibility, options, etc.);
 - State ORP;
 - TERI issues;
- Same-day mail service¹ for:
 - Benefit estimate forms;
 - Brochures;

¹ The Retirement Systems accepts bulk order requests by telephone, but will fill such orders if provided supplies are immediately available and after fulfillment of any previously pending orders.

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- Beneficiary forms;
- Disability applications;
- Name and address change forms;
- *Pension Withholding Certificate/Automatic Deposit* (Form 7202);
- Refund request forms;
- Retirement applications;
- Service purchase request forms;
- QDRO samples and instructions;
- Schedule Columbia appointments for retirement consultations and request records for anticipated Retirement Systems visits;
- Schedule appointments for videoconferencing retirement consultations;
- Schedule appointments for telephone retirement consultations for a specified time and at a specified phone number;
- Service purchase requests completed online and forwarded daily to Service department for processing (no mail delays or postage to initiate process);
- Service credit work sheet requests (sent to address on file);
- TERI termination and payment requests keyed;
- Retirement consultations via videoconferencing.

In the near future, Customer Services will be keying retirement applications online and generating turnaround documents so retiring members will only need to sign the documents and return them to the Retirement Systems.

What a Consultant Cannot Do For Members Online

- Cannot release confidential information to third parties (Regulation 19-903) without written permission from the member/retiree.
- Cannot fax or mail information on record to a third party (mortgage company, attorney, spouse, employer) without written authorization from the member.
- Cannot fax IRS Form 1099-R.
- Cannot forward a member's statement, an IRS Form 1099-R, or a refund or an annuity check to any address other than that on file; however, Customer Services can provide the caller with a change of address form for the member to sign and submit to the Retirement Systems.
- Cannot use any address other than the address on file for service requests, etc.
- Cannot give exact dollar amounts of annuity amounts, member account balances, refunds, or service credit; however, Customer Services can mail the requested information to the address on file.
- Can only confirm to third parties (DSS, power of attorney on record, etc.) figures provided by caller.

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Customer Internet Consultations

Rather than call or travel to Columbia for a visit, customers (retirees, members, employers, etc.) may use the Internet to contact Customer Services seven days a week, 24 hours a day. Members and retirees should include their Social Security number if more than general information is needed. Employers should indicate "Employer Request" in the subject line and include the applicable employer code number for faster turn-around service.

Customer Videoconferencing

Our Customer Services Department offers videoconferencing to employers and members. Videoconferencing allows employers and members to have consultations or retirement overview sessions in small groups without calling the Retirement Systems or driving to Columbia. This service is available for individual consultations or small groups of two to six people. With videoconferencing, a member can consult with a Retirement Systems consultant "face-to-face" through closed circuit television. The Retirement Systems conducts the transmission using telephone lines. After approval of a videoconferencing site and scheduling of an appointment, Customer Services will call into the site and conduct the session.

To obtain the requirements for videoconferencing or to set up a videoconferencing appointment, contact Customer Services at 1-800-868-9002, 803-737-6800, or cs@scrs.state.sc.us.

Retirement Consultations and Pension Plan Counseling

Walk-ins or appointments are welcome. For consultations, members are encouraged to arrive prior to 4 p.m. since a retirement consultation may last up to one hour.

What a Member Should Bring For a Retirement Consultation

- The member's current paycheck or salary information for a benefit estimate;
- A copy of the member's birth certificate; and
- A copy of the birth certificates for all beneficiaries if the member is selecting a joint retiree-survivor plan.

Retirement Annuities

When a member becomes eligible to retire, he or she is then entitled to receive a monthly annuity for life. All members electing to retire (including TERI participants) must complete a retirement application on which they elect a payment plan and designate beneficiaries. Through selection of certain payment plans, a member may provide a monthly annuity to a beneficiary after his or her death. If a member becomes unable to perform his or her current job duties and requirements, the member may apply for disability retirement if he or she is in service and under age 65 (SCRS) or under age 55 (PORS). All disability retirement applications are subject to a detailed evaluation and a Retirement Systems' Medical Board review for approval. This section describes eligibility criteria and the procedures to apply for service retirement and disability retirement annuities. Please encourage members to take personal responsibility for educating themselves about retirement by attending an employer or Retirement Systems sponsored seminar, visiting the South Carolina Retirement Systems, emailing Customer Services, or contacting our Customer Services Call Center for additional information.

Service Retirement Eligibility

Minimum Service Requirement

Newly enrolled members (membership after December 31, 2000) of SCRS and PORS must have five years of earned service (paid employment as an employee during which regular contributions are paid to the system) to be eligible to receive service or disability retirement annuities, receive a supplemental minimum payment (SCRS only), or to qualify a survivor for a monthly annuity after an in-service death. This requirement does not apply to disability retirement eligibility if the disability is the result of a job-related injury.

SCRS

Normal Retirement (Unreduced Benefits)

Age 65; or 28 years of service credit, five years of which must be earned service.

Early Retirement (Reduced Benefits)

- Age 60 with at least five years of earned service. Benefits are permanently reduced 5 percent for each year of age less than 65; or
- Age 55 or older with 25 years or more of service credit, five years of which must be earned service. Benefits are permanently reduced 4 percent for each year of service credit less than 28.

If a member is eligible for early retirement, the Retirement Systems will apply the reduction (age or service) most beneficial to the member. Reductions are prorated to the month and day.

PORS

- 25 years of service credit regardless of age, five years of which must be earned service; or
- Age 55 or older with at least five years of earned service.

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Teacher and Employee Retention Incentive Program (SCRS Only)

Active members of SCRS who are eligible for service retirement may elect participation in the Teacher and Employee Retention Incentive (TERI) program. TERI allows a member to retire and begin accumulating his or her retirement annuity on a deferred basis without terminating employment for up to 60 months. To participate, SCRS members must submit a retirement application to the Retirement Systems, select a payment plan, designate beneficiaries, and elect TERI participation.

By participating in TERI, a member may defer receipt of his or her retirement annuity for up to five years. The Retirement Systems defers a TERI participant's monthly retirement annuity into the participant's TERI account. Upon termination of employment or at the end of the member's TERI period, whichever is earlier, the member will receive the balance in his or her TERI account in either a single-sum distribution paid directly to the member or through a rollover into a qualified retirement plan. **Any distribution paid directly to the member is subject to federal and state income taxes, and may be subject to an additional 10 percent federal early withdrawal penalty.**

Any approved retiree cost-of-living increases apply to a TERI participant's monthly annuity as well. The Retirement Systems **does not pay interest** on the annuity benefits accumulated in a member's TERI account. Since TERI participants are technically retired, employers should not deduct retirement contributions on wages a member earns from active employment. TERI participants do not earn additional service credit, are not covered under the active membership Group Life Insurance program, and are not eligible for disability retirement. A retiring member may participate in TERI only once. SCRS retirement annuities deferred during a member's TERI participation are specifically exempt from and are not subject to the retiree earnings limitation provided that the member has no break in service. If a TERI participant is also receiving a monthly annuity from a correlated system (PORS or GARS), annuities received from the correlated system are subject to the earnings limitation. If an SCRS retiree continues to work for a covered employer after his or her TERI period, the SCRS retiree is subject to a \$50,000 per fiscal year earnings limitation. The 60-day break-in-service requirement is not applicable if the retiree has been a TERI participant for at least 60 days. A TERI participant's date of retirement is the starting date of his or her TERI period.

If a member dies while participating in TERI, the total amount of the member's annuity accumulated in his or her retirement account will be distributed to the beneficiary designated for the retirement annuity. A surviving spouse who is designated as beneficiary may elect to roll over the TERI balance into another qualified retirement plan.

Correlated Systems (SCRS and PORS)

SCRS and PORS are correlated systems. As such, the systems have a complementary relationship as defined by statute. If a member has service credit in more than one of these retirement systems, the member's service credit is maintained separately within each system;

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however, the member's service credit is added together to determine eligibility for retirement annuities. The 12 highest consecutive quarters of earnable compensation from which authorized retirement contributions are withheld are typically used to calculate SCRS and PORS retirement annuities unless the service is concurrent (earned at the same time). GARS is also a correlated system in which a member's years of service may be used to determine the member's retirement eligibility, but may not be used to calculate the member's average final compensation (AFC). Contact Customer Services at 1-800-686-9002, 803-737-6800, or cs@scrs.state.sc.us for more information. **A member cannot receive a retirement annuity from one system while actively contributing to another unless statute specifically states otherwise.** In addition, the member must meet the eligibility criteria of each system to receive a retirement annuity from each system. Members must apply for benefits under each system and will receive separate checks from each system. If the Retirement Systems approves a member's disability retirement application, the member's disability annuity is paid from the active correlated system and an unreduced service annuity is paid from the inactive system.

Example of Correlated Service Retirement Eligibility

An individual is age 53 and has 15 years of service credit in SCRS and 10 years in PORS. The member's total years of service credit equal 25 at age 53. This member is qualified to retire in PORS and may begin receiving a PORS retirement annuity based on 10 years of service if the member terminates from all covered employment. The member will have to wait two additional years (age 55) before meeting SCRS eligibility (age 55/25 years) to start receiving an SCRS annuity that will be based on 15 years of service with applicable early retirement reductions.

Claim Payment Calculation

Average Final Compensation

The retirement annuity is based on average final compensation (AFC), years of service credit, and a multiplier (.0182 for SCRS Class II or .0145 for SCRS Class I or .0214 for PORS Class II). A member's AFC is the 12 highest consecutive quarters of earnable compensation divided by three. The dollar amount of up to 45 days of unused annual leave paid at retirement may be included before averaging the member's 12 highest consecutive quarters of earnable compensation. Contributions are to be remitted on all annual leave payments. For PORS Class I benefits, AFC is not used. The PORS Class I monthly benefit is calculated by multiplying the years of class 1 service by \$10.97.

Payments not included in the AFC calculation at retirement:

- Payment for unused annual leave in excess of 45 days;
- Payment for unused sick leave;
- One time bonus payments;
- Special payments; and

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- Payroll lag (compensation paid at retirement that normally would have been paid in a quarter after retirement).²

For more information or answers to questions concerning treatment of payments in excess of base wages, contact the Financial Services AFC Unit by telephone at 803-737-7584 or by fax at 803-737-6933, or contact Customer Services at 1-800-686-9002, 803-737-6800, or cs@scrs.state.sc.us.

Earnable compensation is a rate of compensation purely for working one's full normal time, not an amount paid on a cash basis. In most instances, especially when an employee works and is paid equally over the entire year, cash basis payments serve as a reasonable approximation of this rate of earnings over the 12 quarters used to calculate an AFC. In cases in which there are significant variances between the time compensation is earned and the time compensation is paid, appropriate adjustments are required upon finalization of a retirement account to ensure the inclusion of a full 12 quarters of earnings. This adjustment is typically made when a contract employee retires before the completion of the contract period. Benefit estimates, therefore, are an approximation of the AFC as reported by the employer. The AFC and years of service are adjusted after retirement when finalized account information has been received from the employer.

AFC Calculation Example

Current salary	\$40,000
Number of Unused Annual Leave Days	45
Lump-Sum Payment for Unused Annual Leave	\$6,923.08
Number of Contract Days	260

In this example, the retiree's 12 highest consecutive quarters of normal earnings are from March 2000 through December 2002.

Quarter Ended	Normal Earnings
December 2002	\$10,000.00
September 2002	10,000.00
June 2002	9,708.74
March 2002	9,708.74
December 2001	9,708.74
September 2001	9,708.74
June 2001	9,472.94
March 2001	9,472.94
December 2000	9,472.94
September 2000	9,472.94

² School and higher education contractual personnel receive benefit of all days completed in contract.

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June 2000	9,108.60
March 2000	9,108.60
Total Normal Earnings	\$114,943.92

Calculate the AFC as follows:

$$\frac{\text{Total of 12 highest consecutive quarters of earnings + Pay for up to 45 days of unused annual leave}}{3 \text{ years}} = \text{AFC}$$
$$\frac{\$114,943.92 + \$6,923.08}{3 \text{ years}} = \$40,622.33 \text{ per year}$$

Unused Leave at Retirement Annual Leave

The dollar amount of termination pay for up to 45 days of unused annual leave that is paid at retirement by a member's last employer is included before averaging the member's 12 highest consecutive quarters of earnable compensation (see Step 1 of the annuity formulas below and on page 58). The employer pays and reports this leave amount after a member retires. If a member is participating in the TERI program, the amount of unused annual leave used for retirement purposes will reduce the balance of annual leave available to the member through the member's TERI employer.

Sick Leave

At retirement, a member may receive service credit for up to 90 days of unused sick leave from the member's last employer (see Step 3 of the annuity formulas on pages 57 and 59). By statute, the Retirement Systems grants one month of service credit for each 20 days of unused sick leave. Sick leave generally is not included in estimated annuity amounts and cannot be used to meet eligibility for retirement. The employer reports a member's sick leave after the member retires. If a member is participating in the TERI program, the amount of unused sick leave used for retirement purposes will reduce the balance of sick leave available to the member through the member's TERI employer.

A member's first few retirement checks are estimated. When the Customer Services Annuity Claims Unit finalizes a member's benefit after retirement, the annuity is adjusted to include annual leave payments, sick leave credit, and final account contributions. Adjustments to AFC or service credit may be necessary as well. The finalized annuity is adjusted retroactively to the member's date of retirement.

SCRS Service Retirement Annuity Formula

The Retirement Systems uses the following four-step formula to calculate an SCRS member's standard monthly annuity (Option A).

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Step 1 Total the member's 12 highest consecutive quarters of earnable compensation and divide by 3. Quarters are broken down as follows: January-March, April-June, July-September, and October-December. The result of Step 1 is the member's AFC.

The dollar amount of termination pay for up to 45 days of unused annual leave that is paid at retirement by a member's last employer is included before averaging the member's 12 highest consecutive quarters of earnable compensation. (See example below).

Step 2 Multiply the result of Step 1 by 1.82% (.0182) for Class II service or by 1.45% (.0145) for Class I service.

Step 3 Multiply the result of Step 2 by the member's years, months, and days of creditable service.

The employer can convert the months to days and divide the total days by 360 to determine a decimal equivalent for partial years. For example, 25 years, 2 months and 10 days equals 25 years, 70 days (60 + 10). 70 divided by 360 equals .19. This amounts to 25.19 years of service.

At retirement, a member may receive service credit for up to 90 days of unused sick leave, which equates to four months and fifteen days of service credit. One month of service credit is granted for each 20 days of unused sick leave. Sick leave is not included in estimated annuity amounts and cannot be used to meet eligibility for retirement.

Step 4 Divide the result of Step 3 by 12 to arrive at the member's standard monthly annuity. If a member retires early based on the member's age or years of creditable service, the member's annuity will be reduced.

Example without Annual Leave

12 highest consecutive quarters of salary = \$90,000
Annual leave payment = \$0
Average final compensation (AFC) = (\$90,000 ÷ 3) or \$30,000
Creditable retirement service = 28 years
 $\$30,000 \times 1.82\% (.0182) = \546
 $\$546 \times 28 = \$15,288$ annual retirement annuity
 $\$15,288 \div 12 = \$1,274$ standard monthly annuity (Option A)

Example with Annual Leave

12 highest consecutive quarters of salary = \$90,000
Annual leave payment = \$5,200
Salary + annual leave payment = \$95,200
Average Final Compensation (AFC) including annual leave payment = (\$95,200 ÷ 3) or \$31,733
Creditable retirement service = 28 years
 $\$31,733 \times 1.82\% (.0182) = \578
 $\$578 \times 28 = \$16,184$ annual retirement annuity
 $\$16,184 \div 12 = \$1,349$ standard monthly annuity (Option A)

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The Retirement Systems applies any applicable early retirement reductions to the standard monthly annuity (Option A). If a member selects Option B or Option C, further reductions to the standard monthly annuity are made based on the member's age and the member's beneficiary's age as of the member's date of retirement. If a member is eligible for early retirement, the Retirement Systems will apply the reduction (age or service) most beneficial to the member. Reductions are prorated to the month and day.

Reduction Example

Member is 60 years old and has 25 years of service

Age Reduction

(Annuity is permanently reduced 5 percent for each year of age less than 65).

Option A = \$1,274.00 monthly annuity

5% per year x 5 years = 25%

25% reduction ($\$1,274 \times 25\% = \318.50)

$\$1,274 - \$318.50 = \$955.50$ reduced monthly annuity

Service Reduction

(Annuity is permanently reduced 4 percent for each year of service credit less than 28).

Option A = \$1,274.00 monthly annuity

4% per year x 3 years = 12%

12% reduction ($\$1,274 \times 12\% = \152.88)

$\$1,274 - \$152.88 = \$1,121.12$ reduced monthly annuity

In this example, since the lesser reduction is the service reduction, the service reduction would be applied rather than the higher age reduction.

PORS Service Retirement Annuity Formula Class I

The monthly annuity is determined by multiplying the years of class I service by \$10.97. Class I PORS annuities are not based on AFC. Members may convert Class I service to Class II service by submitting a service purchase request and making the appropriate payment. See Convert Class I to Class II (PORS) on page 41 for further details.

Example

25.50 years service x \$10.97 = \$279.74 monthly annuity

Class II

The Retirement Systems uses the following four-step formula to calculate a PORS member's standard monthly annuity (Option A).

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Step 1 Total the member's 12 highest consecutive quarters of earnable compensation and divide by 3. Quarters are broken down as follows: January-March, April-June, July-September, and October-December. The result of Step 1 is the member's AFC.

The dollar amount of termination pay for up to 45 days of unused annual leave that is paid at retirement by a member's last employer is included before averaging the member's 12 highest consecutive quarters of earnable compensation. (See example on page 59).

Step 2 Multiply the result of Step 1 by 2.14% (.0214).

Step 3 Multiply the result of Step 2 by the member's years, months, and days of creditable service.

The employer can convert the months to days and divide the total days by 360 to determine a decimal equivalent for partial years. For example, 25 years, 2 months and 10 days equals 25 years, 70 days (60 + 10). 70 divided by 360 equals .19. This amounts to 25.19 years of service.

At retirement, a member may receive credit for up to 90 days of unused sick leave, which equates to four months and fifteen days of service credit. The Retirement Systems grants one month of service credit for each 20 days of unused sick leave. Sick leave is not included in estimated benefits and cannot be used to meet eligibility for retirement.

Step 4 Divide the result of Step 3 by 12 to arrive at the member's standard monthly annuity (Option A).

Example without Annual Leave

12 highest consecutive quarters of salary = \$90,000

Annual leave payment = \$0

Average final compensation (AFC) = (\$90,000 ÷ 3) or \$30,000 Creditable retirement service = 25 years

\$30,000 x 2.14% (.0214) = \$642

\$642 x 25 = \$16,050 annual retirement annuity

\$16,050 ÷ 12 = \$1,337.50 standard monthly annuity (Option A)

Example with Annual Leave

12 highest consecutive quarters of salary = \$90,000

Annual leave payment = \$5,200

Salary + annual leave payment = \$95,200

Average Final Compensation (AFC) including annual leave payment = (\$95,200 ÷ 3) or \$31,733

Creditable retirement service = 25 years

\$31,733 x 2.14% (.0214) = \$679

\$679 x 25 = \$16,975 annual retirement annuity

\$16,975 ÷ 12 = \$1,415 standard monthly annuity (Option A)

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Payment Plans at Retirement

Three monthly payment plans are available to members at retirement. A member should select the payment plan that best suits his or her needs. A retired member may not change this selection after benefit payments have begun unless the retiree's marital status changes (death of spouse, divorce, marriage). The retiree should notify the Retirement Systems immediately by contacting Customer Services at 1-800-868-9002, 803-737-6800, or cs@scrs.state.sc.us for more information. A retired member may not change his or her form of monthly payment more than twice, regardless of the number of events (death of a designated beneficiary or change in marital status) that occur. See *Number of Changes* on page 80 for more information. All payment plans require a copy of the member's birth certificate (originals will not be returned). Members selecting a joint retiree-survivor plan (Option B or Option C) must submit a copy of each beneficiary's birth certificate. Members may select only one payment plan. To retire, members, including members electing TERI participation, must complete an application for retirement benefits to elect a payment plan and designate beneficiaries. The member must submit the completed application to the Retirement Systems.

Payment Plans

Members who retired before January 1, 2001, will continue to receive their retirement annuity in accordance with the form of payment selected under the law in effect at the time of retirement. The three payment plan options available to retiring members are below.

Option A (Retiree Only Standard Monthly Annuity Plan)

This plan will pay a retiree a lifetime annuity based on his or her average final compensation, years of service, and a multiplier. (Further explanations of the annuity formulas for SCRS and PORS are on pages 56-59). Upon the retiree's death, the Retirement Systems will return, through a lump-sum payment to the retiree's beneficiary or estate, any member contributions and interest not paid to the retiree in benefits during his or her retirement. Option A pays the maximum benefit a retiree can receive.

Option B (100% - 100% Joint Retiree-Survivor Monthly Annuity Plan)

A retiree will receive a reduced (from Option A) monthly annuity for life. The reduction from Option A is based on the age of the member and the average age of the member's beneficiaries on the date the member retired. Upon the retiree's death, the same annuity (100 percent of the retiree's reduced monthly annuity, including granted cost-of-living increases) will continue throughout the surviving beneficiary's lifetime. If a retiree's designated beneficiary predeceases the retiree, the retiree's annuity will revert to Option A, including any cost-of-living increases granted since the retiree's retirement date.

Option C (100% - 50% Joint Retiree-Survivor Monthly Annuity Plan)

A retiree will receive a reduced (from Option A) monthly annuity for life. The reduction from Option A is based on the age of the member and the average age of the member's beneficiaries on the date the member retired. Upon the retiree's death, one-half of the annuity (50 percent of the retiree's reduced monthly annuity, including granted cost-of-living increases) will continue

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throughout the surviving beneficiary's lifetime. If a retiree's designated beneficiary predeceases the retiree, the retiree's annuity will revert to Option A, including any cost-of-living increases granted since the retiree's retirement date.

If A Retiree Chooses Option B or Option C and Designates Multiple Beneficiaries

If a retiree chooses a joint retiree-survivor plan (Option B or Option C) and designates multiple beneficiaries, the retiree's annuity will be divided equally among the designated beneficiaries. The annuity will not change for the remaining beneficiaries if one beneficiary dies, either before or after the retiree dies. If a retiree selects Option B or Option C and all of the retiree's designated beneficiaries predecease the retiree, the retiree's annuity will revert to Option A effective on the date the last beneficiary died. A retiree must notify the Retirement Systems upon the death of a beneficiary. To do so, the retiree may contact Customer Services at 1-800-868-9002, 803-737-6800, or cs@scrs.state.sc.us.

Minimum Service Retirement Annuity (SCRS Only)

If an SCRS member has at least 20 years of service credit (the member must have five years of earned service if enrolled after December 31, 2000) and has an AFC of at least \$1,500.00, a supplement to the service retirement annuity will be paid to the retiree only. The state of South Carolina pays a supplement to bring the service retirement annuity to \$80.00 a month and the Retirement Systems pays the remainder to bring the service retirement annuity to \$150.00 a month, plus \$1.00 per month for each completed year of service in excess of 20 years. If the member's AFC is at least \$1,500.00, the Retirement Systems portion of the supplement is reduced by 5 percent for each year of age under age 65 (maximum 25 percent reduction) if the member does not have 35 years of service or is under age 65. If the member's AFC is less than \$1,500.00, the annuity will be supplemented to \$80.00 a month, plus \$1.00 per month for each completed year of service in excess of 20 years. **The beneficiary of a deceased retiree who received the minimum annuity is not eligible to receive the supplement under a joint retiree-survivor plan (Option B or Option C).**

Service Retirement

Service Retirement Effective Date

To retire, a member, including members electing TERI participation, must file an application for retirement benefits with the Retirement Systems, on which the member must select a payment plan and designate retirement beneficiaries. Retirement is not automatic. A member may file his or her service retirement application as early as six months prior to his or her desired effective date of retirement but no later than 90 days afterward. Before an effective date of retirement can be established, however, the member must be removed from his or her employer's payroll. Filing as early as six months prior to retirement will allow adequate processing time. For deferred annuities, a member eligible for service retirement can have his or her effective date of retirement established no earlier than 90 days from the date the Retirement Systems receives the application, regardless of when the member may have met the eligibility criteria. Retirement is considered to be in effect and the payment plan may not be changed once benefit payments have begun unless

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a retiree experiences a qualifying event (death of spouse, marriage, or divorce). Employers should keep a small supply of retirement applications on hand for members. You may also obtain retirement applications from the Retirement Systems by contacting Customer Services at 1-800-868-9002, 803-737-6800, or cs@scrs.state.sc.us, or via download from the Retirement Systems' Internet Web site at www.retirement.sc.gov.

Please advise members to not terminate their employment until the Retirement Systems has audited their service credit and they receive official notice of their retirement eligibility.

How to Apply

A member may make an appointment to see a retirement consultant by contacting Customer Services at 1-800-868-9002, 803-737-6800, or cs@scrs.state.sc.us, or a member may walk into our office without an appointment. Appointments for telephone retirement consultations may be scheduled for a specified time and at a specified phone number. Videoconferencing appointments are available through certain employers. Visitor load is very heavy during Christmas and spring breaks, so members without an appointment should allow for a longer wait. During this session, the retirement consultant will review the member's Retirement Systems records, determine any service credit that might be established, and explain the available payment plans. Members are encouraged to arrive at the Retirement Systems no later than 4 p.m. since a retirement consultation may last up to one hour. An estimate of annuity payments for retirement planning purposes is available to members on the Retirement System's Internet Web site at www.retirement.sc.gov or by contacting Customer Services at 1-800-868-9002, 803-737-6800, or cs@scrs.state.sc.us. An estimate does not guarantee retirement eligibility, service credit, or AFC.

A member may apply for service retirement by completing an *SCRS Application for Service Retirement Benefits* (Form 6101S) or a *PORS Application for Service Retirement Benefits* (Form 6101P). Applications for retirement must be properly notarized after completion. Other forms, such as the *Certification of Last Day Paid* (Form 6201) and the *Pension Withholding Certificate/Automatic Deposit* (Form 7202), also are part of the retirement packet and should be completed and submitted together when possible. The member should include a copy of the member's birth certificate, and if selecting a joint retiree-survivor plan, a copy of the birth certificates for each of the member's beneficiaries. A retiring member is encouraged to have his or her annuity check electronically deposited directly into the member's bank account. Annuity benefits are payable on the last business day of the month in which the member retires provided all of the necessary documents are on file with the Retirement Systems. Once a retiree's *Certification of Final Retirement Deductions* (Form 6202/6203) is received from his employer's payroll department and processed, the retiree's account can be finalized. The Customer Services Annuity Claims Unit's goal is to process all workable retirement applications so that a retired member will receive an estimated annuity check 30 days from his date of retirement and a finalized annuity check as soon as possible thereafter. Service will be delayed if a retirement application is not workable. A delay occurs if information is needed from the member or the employer, or if the retirement application is not received timely (six months in advance) or is received during peak periods. Adjustments (AFC, annual leave payments, sick leave credit, final contributions, and service credit) are made retroactively to the date of retirement. **To place retiring members on payroll timely, it is important that the application is complete when**

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submitted, including copies of birth certificates and the *Certification of Last Day Paid* (Form 6201) from the employer. Please attach the *Certification of Last Day Paid* (Form 6201) to the application or fax to the Customer Services Annuity Claims Unit at 803-737-7752.

Disability Retirement

Eligibility

A disability is a mental or physical incapacity that is likely to be permanent and renders a member unable to perform his or her current job duties. Members must be in service to be eligible for a disability retirement annuity. SCRS members must be under age 65 and PORS members must be under age 55. Disability retirement benefits are subject to income taxes.

Active members with at least five years of service credit who have a disability that is likely to be permanent may apply for a disability retirement annuity. The five years must be earned service if the member was enrolled after December 31, 2000. The five-year requirement is waived if the member can substantiate that the disability is the result of a job-related injury. Employers must provide an acceptable first report of injury if the disability resulted from a job-related injury.

Disability Retirement Effective Date

The member may choose any effective date as long as the member has received disability approval from the Retirement Systems, is terminated from the covered employer on date of retirement, has met the retirement eligibility requirements, the disability application has been on file for 30 days, and the date does not extend past the life of the application (nine months). If the member designates the effective date to be the day following the last day on the payroll, the Customer Services Annuity Claims Unit can determine the earliest effective date from the *Certification of Last Day Paid* (Form 6201). Retirement is considered to be in effect and the payment plan may not be changed once benefit payments have begun unless the retiree experiences a qualifying event (death of spouse, marriage, or divorce).

How to Apply

A member may apply for disability retirement by completing an *SCRS Application for Disability Retirement* (Form 6151S) or a *PORS Application for Disability Retirement* (Form 6151P). **A member should file an application for disability retirement as soon as the member becomes disabled and before the member is terminated.** If the application is approved, the disability retirement effective date will be no earlier than 30 days after receipt of the application by the Retirement Systems, or the day after terminating employment, whichever is later. If a member recovers and returns to work, the disability application must be canceled in writing.

Members also eligible for service retirement should apply for service retirement at the same time they apply for disability retirement so they can begin to receive an annuity while their disability decision is pending. If a member's disability retirement is approved, the benefit will automatically convert to a disability retirement annuity if it is most beneficial for the member, and if the beneficiaries and payment plans are the same on the service and disability applications.

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The employer may submit a disability application for the member in the event that the member is unable to initially complete the application. The employer cannot select a payment plan or designate beneficiaries on behalf of the member. For urgent cases, the member or employer may fax the disability application to the Customer Services Annuity Claims Unit at 803-737-7752. This will begin the required 30-day waiting period only. A properly notarized application selecting a payment plan and designating beneficiaries must still be submitted as soon as possible for further processing.

By statute, the earliest retirement date is 30 days after the Retirement Systems receives the application, and the latest is nine months. A member approved for disability must terminate employment and begin receiving disability payments within nine months after submitting the application, or the application will expire and the member will have to reapply for benefits, have his or her medical condition evaluated, and establish another 30-day waiting period. This may mean returning to a covered employer's payroll to qualify for filing of an application.

Disability annuities are calculated with projected service as if the member had worked to age 65 (SCRS) or age 55 (PORS). SCRS disability annuities have an applicable actuarial reduction. The minimum disability retirement allowance payable under Option A for SCRS or for PORS is 15 percent of the retiree's AFC (divided by 12 and paid monthly). If a member selects joint retiree-survivor payment plans Option B or Option C, the member will receive a reduced (from Option A) monthly annuity.

Employees considering applying for disability annuity benefits should be aware that not all disability retirements are approved for lifetime annuity benefits without medical reviews. Many disability retirements are based on continuing disability reviews (CDRs) until age 65 (SCRS) or age 55 (PORS) and are subject to denial. If the Medical Board determines that a member should not be re-approved, the ending date of the disability benefits will be the last day of the month in which the appeal process ends.

All applications are evaluated by a service provider and require the following addendum forms to be completed by the member:

- *Authorization for Release of Information to Disability Determination Service* (Form 6255): one form for each medical source; and
- *Member's Disability Report* (Form 6251).

A member must be retired (terminated from all covered employment) and begin disability benefits (if approved) not more than nine months following the date the application was filed; otherwise, the application is closed and the member must submit a new application (which requires a 30-day waiting period and an evaluation) to begin the process anew.

When a disability application is received, if the employer has not submitted the *Employer's Disability Employment Status Report* (Form 6253) and the *Employer's Description of Disability Applicant's Job* (Form 6254) to the Retirement Systems, those forms will be mailed to the

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employer for completion. These forms should be mailed directly to the Customer Services Annuity Claims Unit and must be received before a member's file can be forwarded to the service provider for evaluation. If available, a detailed position description should be attached to the employment status report. A member must be in service when the disability application is filed. When completing the *Employer's Description of Disability Applicant's Job* (Form 6254) it is important that the employer accurately indicate the requirements of the position with particular emphasis on physical and mental requirements. Typically, a member will be in one of the following categories when he or she applies for disability retirement since the disability must be likely to be permanent:

- Sick leave;
- Annual leave;
- Leave without pay;
- Reduced hours;
- Working in subsidized employment (on payroll, performing light duties or in a reduced capacity)³; or
- Workers' Compensation.

A member can receive Workers' Compensation and receive a disability annuity from the Retirement Systems if the member is approved for disability and has been terminated from all covered employment. Members receiving Workers' Compensation should apply for disability retirement as soon as possible, if applicable, but no later than prior to termination. A member does not have to wait for his Workers' Compensation case to be settled to apply for disability retirement.

When all forms are received from the member and the employer, the file will be forwarded to our Disability Determination Provider for collection of medical evidence and a recommendation to the Retirement Systems' Medical Board. The Medical Board meets weekly to render decisions. The member will receive a letter from the Medical Board either approving or denying the disability claim as soon as a decision is reached. If the disability is denied, the member may appeal the Medical Board's decision within 30 days of the first denial by completing the *Disability Reconsideration* (Form 6282) that will be sent to the member via certified mail. It is important that a member keep his or her address current with the Retirement Systems. If denied a second time, the member will be instructed to write the Retirement Systems within 30 days of the second denial to request a third appeal (administrative appeal). Depending on the case, the third appeal may be reviewed by a hearing officer. Hearings usually are scheduled within 30-45 days and generally are held at the Retirement Systems. If a member cannot travel, a videoconferencing hearing may be held. **Members are strongly encouraged to file appeals as soon as a denial is received. Appeal rights are forfeited if an appeal is not filed (received by the Retirement Systems) within the 30-day period. Please remind employees retiring on disability to file their applications, and appeals if applicable, as soon as possible.**

³ An employer must certify and demonstrate subsidized employment by completing and submitting an *Employer's Disability Employment Status Report* (Form 6253).

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Service and Disability Filing Requirements

The member must provide copies of his or her proof of birth (public birth certificate) and proofs of birth for the member's beneficiaries if the member plans to elect one of the joint retiree-survivor options. Social Security numbers and dates of birth for all beneficiaries must also be provided. If the member cannot provide public birth certificates, the member should contact Customer Services at 1-800-868-9002, 803-737-6800, or cs@scrs.state.sc.us. When submitting any form (birth certificates, power of attorney, etc.) to the Retirement Systems, please make certain the forms (including beneficiary forms) contain the member's name and Social Security number.

Employer Responsibilities and Procedures

Employer Certification

All covered employers that the active member worked for during the preceding year prior to the application date should complete The *Certification of Last Day Paid* (Form 6201). The *Certification of Last Day Paid* (Form 6201) is needed as soon as a service retirement application is submitted; preferably, attached to the application. For disability retirement applications, the *Employer's Disability Employment Status Report* (Form 6253) and the *Employer's Description of Disability Applicant's Job* (Form 6254) should be submitted as soon as possible. Upon receipt of a service retirement application or an approval of disability retirement benefits, a *Certification of Final Retirement Deductions* (Form 6202/6203) will be sent to the member's primary employer and any other employers for which the member worked in the last two quarters of employment. This form requests the following information:

- Earnings, contributions, months paid, and contract length for the final two quarterly reports;
- Payment for unused annual leave and number of unused sick leave days;
- Last day member earned compensation and date of final paycheck;
- Current annual rate of pay and the number of normal paychecks per year; and
- Contract details for school district employees.

It is important to submit both the *Certification of Last Day Paid* (Form 6201) and a *Certification of Final Retirement Deductions* (Form 6202/6203) to the Retirement Systems as soon as possible. Attach the *Certification of Last Day Paid* (Form 6201) to the retirement application, along with copies of birth certificates for the member and his beneficiaries so the member's benefit payment can be calculated and paid during the month in which his retirement is effective. If necessary, the *Certification of Last Day Paid* (Form 6201) can be faxed to the Customer Services Annuity Claims Unit at 803-737-7752. The member will receive an estimated monthly benefit that **will not** include annual or sick leave. After the *Certification of Final Retirement Deductions* (Form 6202/6203) is received and processed, the Customer Services Annuity Claims Unit will finalize the retiree's benefit. Benefits owed, if any, will be paid retroactively to the date of retirement.

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If a Member's Application Is Denied

South Carolina Retirement Systems Claims Procedure Act

Effective July 1, 2003, the South Carolina Retirement Systems Claim Procedure Act provides remedies available in a dispute or controversy between the Retirement Systems and a member or a designated beneficiary of a member of any of the retirement systems established in Title 9 of the SC Code of Laws. Following its passage, the State Budget and Control Board enacted a new claims procedure effective July 1, 2003, to implement the Act.

The Act sets a one-year statute of limitations, limits retroactive relief to one year, and prohibits class action lawsuits. The Board's claims procedure provides that the administrative decisions of the Retirement Systems are reviewed *de novo* by the Administrative Law Judge Division. *De novo* means that the Administrative Law Judge will conduct a trial with witness testimony and evidence rather than a mere review of the agency record. The Circuit Court, the Court of Appeals, and ultimately, the South Carolina Supreme Court, may review the Administrative Law Judge Division's decision. The claims procedure provides an efficient and less costly mechanism for resolving disputes while still affording members due process.

The Claims Procedures Act and Board claims procedure also provide a process for appeal and review of disability retirement decisions. An outline of the procedures for appealing both administrative and disability retirement decisions is on page 68.

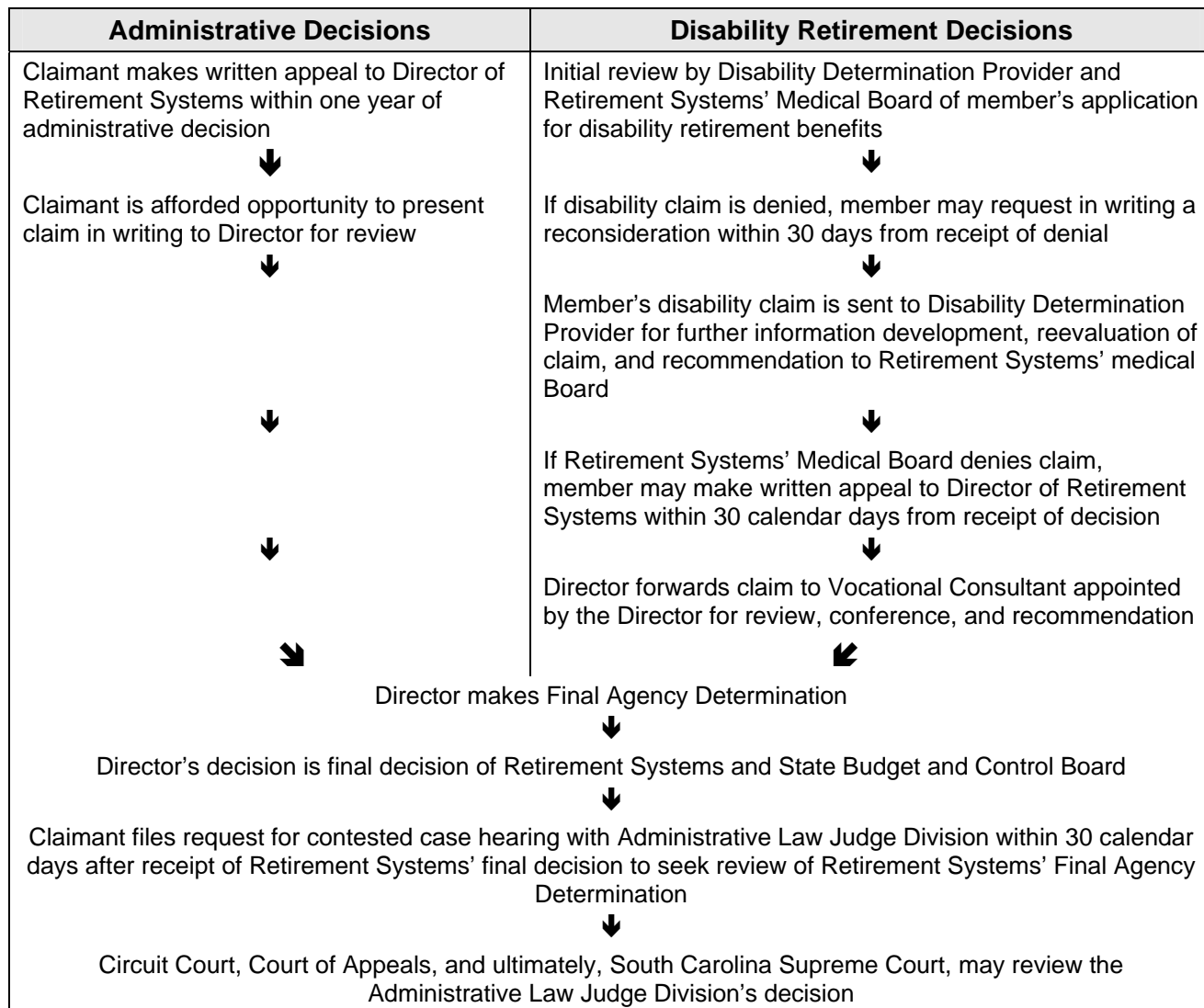
Legal Issues Affecting Annuities

Qualified Domestic Relations Order (QDRO)

A Qualified Domestic Relations Order (QDRO) is a court order creating or recognizing a spouse's or a former spouse's right to a portion of a member's retirement annuity. This individual cannot receive his or her share of benefits until the member retires, withdraws his or her contributions, or dies. A divorce decree that assigns a portion of a member's retirement annuity to an ex-spouse is not necessarily a valid QDRO. The Retirement Systems has guidelines available to aid in the drafting of QDROs. Direct payment by the Retirement Systems is not possible unless the court enters an order that the Retirement Systems determines is acceptable under its guidelines pursuant to S.C. Code Ann. §9-18-10 et seq. The taxable portion of a lump-sum distribution paid to a QDRO payee (former spouse) may be eligible for a tax-deferred rollover to an Individual Retirement Account (IRA), a 401(k) plan, or another 401(a) plan. Check with the receiving plan administrator to determine if it will allow such a rollover. The Internal Revenue Service (IRS) requires that the Retirement Systems withhold federal taxes of 20 percent on any portion of the taxable lump-sum distribution not transferred directly into another qualified retirement plan. Alternate payees under a QDRO are not subject to the 10 percent penalty for early withdrawal. A QDRO model order is available on the Retirement Systems' Internet Web site at www.retirement.sc.gov/docs/pubs/index.html, or by contacting Customer Services at 1-800-868-9002, 803-737-6800, or cs@scrs.state.sc.us. Member statements and benefits estimates are available by contacting Customer Services at 1-800-868-9002, 803-737-6800, or cs@scrs.state.sc.us.

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Appeals Procedures Outline



Refund of Contributions

Members who terminate employment may request a refund of their member contributions plus interest, but they forfeit their rights to any future service retirement or disability benefits. A refund of member contributions and interest cancels all service credit in the member's account. Members are not required to withdraw their contributions and interest at termination. Employer contributions are not refunded. **Employees cannot make loans or hardship withdrawals from their Retirement Systems accounts(s). There are no exceptions.**

Suggested Termination Packet

Please advise terminating employees seeking retirement or desiring to purchase service that they must apply for disability retirement or make a request to purchase service prior to leaving covered employment. Members leaving funds on deposit should notify Customer Services at 1-800-868-9002, 803-737-6800, or cs@scrs.state.sc.us of any address change and should keep beneficiaries current with the Retirement Systems. Please distribute the following information to all terminating employees:

- *SCRS and PORS Termination Notice* (Form 8202) or *State ORP Termination Notice* (Form 1162);
- *Leaving Covered Employment* brochure; and
- Appropriate application (disability or refund application, etc.).

Waiting Period

By law, there is a minimum 90-day waiting period from a member's date of termination until a refund can be made; however, the Retirement Systems has up to six months to issue a refund. If a member returns to covered employment before the refund is paid, the refund request will be canceled. Therefore, employers should submit all enrollment forms in a timely manner.

Multiple Accounts

If a member works for two or more covered employers, or contributes to one or more retirement accounts (i.e., working two jobs and paying into an SCRS and a PORS account), the member must stop working in all systems and all positions to request a refund from any account.

Rollovers

The taxable portion of a lump-sum distribution (refund) may be eligible for a tax-deferred rollover to an IRA, a 401(k) plan, a 401(a) plan, a 403(b) plan, or a 457 plan. Check with the receiving plan administrator to determine if it will allow such a rollover. Members or QDRO alternate payees may elect to roll over all or any part of the taxable portion of the member's contributions plus interest. The payment received from the Retirement Systems is classified as a Qualified Total Distribution under Internal Revenue Code Section 401(a) and will be reported to the Internal Revenue Service

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(IRS) on Form 1099-R. ⁴ For death claim rollovers, please see *In-Service Death Refund of Contributions* on page 73.

Taxes on a Refund of Contributions

A member's account may include both pretax and after-tax contributions. Contributions made after June 30, 1982 (federal) or after January 1, 1985 (state), and all interest earned, plus any rollovers to purchase service, are considered pretax (deferred contributions) and are taxable when paid to the member. Service purchased by personal check or through the Installment Service Purchase Program is nontaxable when paid to the member.

For a member or a QDRO alternate payee, the IRS requires the Retirement Systems to withhold federal taxes of **20 percent** on any portion of the taxable refund not transferred directly into another qualified retirement plan. Other taxes may apply as well. Members should check with an accountant or tax advisor regarding their tax liability.

If a member under age 59½ does not take advantage of a rollover, the member's lump-sum distribution is subject to regular income tax in the year the payment is received. The IRS could assess an additional 10 percent penalty when the member submits his or her income tax return. This 10 percent tax penalty does not apply to distributions due to:

- Death of the member;
- Disability of the member;
- Separation of service after attainment of age 55; and
- Distribution paid to an alternate payee pursuant to a QDRO.

How to Apply for a Refund of Contributions

Member Instructions

A member must complete a *Refund Request* (Form 4101). The member must indicate if he or she wants to receive a lump-sum payment, a direct rollover or a partial rollover by checking the appropriate box on the form. If a member elects to receive a direct or partial rollover, the rollover section must be completed in full. The member must sign the form after completion and attach a copy of his or her current driver's license or special identification card issued by the member's state department of transportation or public safety. If a member cannot sign his or her name, an "X" may be used; however, a witness is required to sign attesting the member's mark. **This form must be notarized.** If a member has contributions in more than one retirement account, the member must complete a *Refund Request* (Form 4101) for each account from which a withdrawal is requested.

⁴IRS allows for rollovers of taxable and non-taxable funds if the accepting plan allows; however, the South Carolina Retirement Systems refund program cannot accommodate the rollover of non-taxable funds. The TERI automated system will allow for such.

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Employer Instructions

The employer will receive a *Refund Employer Section* (Form 4201). This form is generated by the Retirement Systems upon receipt of the *Refund Request* (Form 4101) from the former employee. The *Refund Employer Section* (Form 4201) is used to report the date the member's final check was issued, the last day the member earned compensation, and the member's final four quarterly contributions prior to termination. **Do not estimate or project contributions on this form, as the Retirement Systems will refund the member's contributions based on the information provided.** If more than one year has lapsed since a member terminated employment, the termination date and member's name must be indicated; however, the last quarters of contributions may be omitted.

The employer must sign the *Refund Employer Section* (Form 4201). The individual completing the *Refund Employer Section* (Form 4201) for the employer must be authorized and the individual's name must be kept current with the Retirement Systems. If the authorized individual's name changes, it is the employer's responsibility to notify the Customer Services Refund Claims Unit in writing. **Please return the completed *Refund Employer Section* (Form 4201) by mail or fax (803-737-7752) to the Retirement Systems no later than 14 days after the member's last paycheck. Do not wait before submitting since doing so may needlessly delay the member's refund.**

After Receipt of a Refund Request

After all refund information from the member and the employer is received by the Retirement Systems, an acknowledgment letter will be sent to the member indicating the amount of the refund and when the check is expected to be prepared and mailed.

Refund Check Schedule

Refund checks are issued every Friday and will be mailed unless a member arranges in advance with the Retirement Systems to pick up the check. Wire transfers of refund checks are not permitted. The refund is scheduled for payment on the first Friday after the 90-day waiting period if all member and employer information received is correct and the member does not return to covered employment prior to receiving the refund check; however, by law, the Retirement Systems has up to six months to issue a refund to a former employee.

The Retirement Systems will issue the refund to the individual unless the individual is eligible for and has requested that the funds be rolled over into another qualified retirement plan. Once issued, refund checks may be picked up in person with proper identification (current driver's license or picture ID) provided the member has made advanced arrangements with the Retirement Systems by contacting Customer Services at 1-800-868-9002, 803-737-6800, or cs@scrs.state.sc.us, or by writing to Benefits Payroll. Checks may be picked up on Fridays and cannot be picked up prior to 2 p.m. Because of possible check printing problems or other unforeseen circumstances, the Retirement Systems is unable to guarantee that a member's refund check will be available as planned. If the member's address changes during the 90-day waiting period, the member must send written notification of the address change, including his or her

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Social Security number and signature, to the Retirement Systems' Customer Services Refund Claims Unit.

Refund Request after a Disability Retirement Denial

A member who has a disability retirement application on file and has requested, or is going to request, a refund must submit a signed written statement whenever the following circumstances apply:

- The member's disability retirement claim was denied;
- The member does not wish to appeal the denial of his or her disability retirement claim but time remains in the period of time in which the member could appeal; or
- The member now wishes to receive a refund in lieu of disability retirement.

The member's signed written statement should contain explicit language stating that he or she has decided not to appeal the denial of his or her disability retirement claim and now wishes to receive a refund.

Refund vs. Deferred Annuity

A member must terminate all covered employment to receive a refund or a deferred annuity. Employers should inform any member who is terminating employment and seeking a refund of contributions of the member's option to leave funds on deposit and later apply for retirement (if eligible). It is, however, the member's responsibility to contact the Retirement Systems and file an application prior to retirement. See page 52 for retirement eligibility criteria. Employers should remind any member leaving funds on deposit to keep his or her address and beneficiaries current by writing the Retirement Systems or by contacting Customer Services at 1-800-868-9002, 803-737-6800, or cs@scrs.state.sc.us. Member statements are mailed annually to inactive members for whom we have a valid address. Please advise members leaving employment to contact Customer Services at 1-800-868-9002, 803-737-6800, or cs@scrs.state.sc.us to request a member statement or to update an address.

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In-Service Death

Eligibility criteria and additional information are provided below to assist in determining eligibility for these benefits and explaining them to members.

If a member dies while actively employed or not more than 90 days from the last day the member earned regular compensation and earned regular service credit, the following benefits may be available to the designated active member beneficiary:

- **Refund of contributions** (member contributions and interest);
- **Monthly annuity** (survivor annuity);
- **Active Member Group Life Insurance payment** (equivalent of one year's salary);
- **Accidental Death Program benefit (PORS only).**

If a member who has filed for disability retirement dies and his or her disability claim has been on file for 30 days and is approved, the Retirement Systems will also offer the member's beneficiaries a disability retirement annuity and a retiree Group Life Insurance benefit, if eligible. If, however, the member's primary beneficiaries for retirement are **NOT** the same as the active member primary beneficiaries, **AND** the retiree Group Life Insurance beneficiaries are **NOT** the same as the active member Group Life Insurance beneficiaries, the Retirement Systems will be unable to offer the beneficiaries a disability retirement annuity. If the retirement and active member beneficiaries differ and the member's death occurs while he or she is still in service, the active member beneficiaries will receive only active member benefits. Members are encouraged to update their active member beneficiaries when filing for retirement annuities.

Refund of Contributions

The beneficiary designated on the SCRS or PORS member's Retirement Systems record is eligible to receive a refund of the member's contributions plus interest (or \$1,000, whichever is greater, for PORS members) in a lump-sum payment. If multiple beneficiaries are designated, payment will be divided equally among the surviving beneficiaries. The spouse of a deceased member may elect to rollover taxable contributions and interest.⁵ The Retirement Systems must withhold federal taxes of 20 percent on any taxable distributions that the spouse does not roll over. Non-spousal beneficiaries receive refunds in a lump-sum payment (rollovers are not permitted). Non-spousal beneficiaries may elect to have federal taxes withheld at 10 percent or none on the taxable portion. A QDRO alternate payee (former spouse) may roll over the taxable portion (same rollover rights as members).

⁵The IRS allows for rollovers of taxable and non-taxable funds if the accepting plan allows them; however, the South Carolina Retirement Systems' refund program cannot accommodate the rollover of non-taxable funds. The TERI automated system will allow for such rollovers.

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Survivor Annuity

A member's designated beneficiaries may choose to receive a lifetime monthly annuity in lieu of a lump-sum refund of the member's contributions plus interest if the member met any of the requirements below at the time of his or her death. Monthly survivor annuities cannot be paid to an estate. An Accidental Death Program annuity (PORS only) may be available to certain beneficiaries of a PORS member who dies in the line of duty. State agencies are required to provide Accidental Death Program coverage to their PORS employees. This coverage is optional for other employers. See *Accidental Death Program* on page 75 for more information.

Survivor Annuity Eligibility Requirements

- **Age 60 or older (SCRS) age 55 or older (PORS) with five years of earned service; or**
- **15 or more years of service, five years of which must be earned service.**

The designated beneficiaries will receive a monthly survivor annuity for life based on Option B (see *Payment Plans* on page 66). A monthly benefit cannot be paid to an estate or an organization. If multiple beneficiaries are named, all surviving beneficiaries must agree on the choice of a refund or a survivor annuity before any payments can be made. Payments will be divided equally among the beneficiaries. If one of the surviving beneficiaries dies once payments begin, the benefit amount each surviving beneficiary receives remains the same; however, the amount of the total benefit will be reduced by the deceased beneficiary's share. If a trustee has been appointed for a designated beneficiary, the monthly annuity will be paid to the trustee until the termination of the trust or the beneficiary's death, whichever occurs first. After the termination of the trust, the monthly annuity will be paid directly to the beneficiary for the rest of his or her life. See *Beneficiary/Trustee Designation (Form 1103)* on page 15 for more information.

Active Membership Group Life Insurance

The employer must pay for this coverage. If a covered member dies in service with at least one year of service credit among SCRS, PORS, GARS, JSRS, or State ORP, a payment equal to the member's annual salary will be paid to the member's designated beneficiary or estate. If the member's death is the result of a job-related injury, the one-year service requirement is waived.

A member is considered to be in service on the date of his or her death if the member was not retired, was employed in a continuous regular pay status, and was earning regular or unreduced wages and regular or unreduced retirement service credit. The member can be either physically working on that day or taking continuous accrued annual leave or sick leave while receiving a full salary. The employment in a continuous regular pay status cannot occur more than 90 days prior to the member's date of death.

The active membership Group Life Insurance benefit is considered insurance proceeds and is not taxable as income to the recipient. Insurance proceeds are included in the member's total estate in determining estate taxes. This coverage is required for state agencies and public schools, but is optional for other employers.

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Accidental Death Program (PORS Only)

The Retirement Systems administers an Accidental Death Program for PORS members. State agencies are required to provide Accidental Death Program (ADP) coverage to their PORS employees. This coverage is optional for other employers. An employer may elect this coverage effective the first July 1 following the date the employer's application is received. An employer may not revoke this coverage once coverage has begun. If an employer provides ADP coverage to its employees, the employer must pay for this coverage. Premiums are waived for the first year for non-state agencies. The cost for this coverage is listed on page 18.

ADP Benefit

This program provides a death benefit if a covered PORS member dies as a result of an injury by external accident or violence incurred while undergoing a hazard particular to the member's employment while in the actual performance of duty, without willful negligence on the part of the member. Payment will be made monthly to the member's surviving spouse for life. If the member has no spouse or the spouse dies before the youngest child of the covered member has attained age 18, the annuity is divided among surviving children until each child dies or attains age 18, whichever occurs first. If the member has no spouse or child under age 18, the benefit will be paid to the member's surviving father and/or mother for life.

The ADP monthly pension is calculated as follows: 50 percent of the member's annual compensation at death divided by 12, which equates to the monthly payments. Cost-of-living adjustments may be applied to these monthly pension benefits based on the Consumer Price Index and in the same manner as provided under a retirement annuity. The ADP annuity is considered insurance proceeds and is not taxable as income to the recipient. Insurance proceeds are included in the member's total estate in determining estate taxes.

What to Do When an Active Member Dies In Service

The employer should contact Customer Services at 1-800-868-9002, 803-737-6800, or cs@scrs.state.sc.us immediately in the event of a member's death so that the necessary information can be provided to the beneficiary. An *Application for Death Benefits* (Form 4152) and the *Certification of Final Retirement Deductions* (Form 6202/6203) will be sent to the employer after the Customer Services Death Claims Unit is notified of the death. The employer must complete the *Application for Death Benefits* (Form 4152) and the *Certification of Final Retirement Deductions* (Form 6202/6203) and return the forms as soon as possible. When the completed application is received, the Customer Services Death Claims Unit will notify the beneficiary of the payment options available. The beneficiary should submit a certified true copy of the member's death certificate and will be asked to complete the following forms:

- *Application for Death Benefits* (Form 4151);
- *Pension Withholding Certificate/Automatic Deposit Authorization* (Form 7202) if the beneficiary is receiving a monthly benefit;

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- *Notice of Withholding* (Form 4251) if the beneficiary (non-spouse) is receiving a refund of member contributions; or
- *Death Claims Payout Election* (Form 4255) if the spouse is receiving a refund of member contributions.

Payment Schedule

Once all documents are received, payments for an in-service death are mailed as follows:

- **Refund of contributions** - checks are mailed on Fridays.
- **Monthly annuity (if eligible)** - checks are mailed the last business day of each month (i.e., a check for June would be mailed the last business day of June).
- **Active Member Group Life Insurance payment (if eligible)** - checks are mailed on Fridays.
- **Accidental Death Program benefit (PORS only)** - checks are mailed the last business day of each month.

It is the goal of the Customer Services Death Claims Unit to pay all death claims within 30 days after all paperwork is received from each beneficiary and the employer. Anyone can notify the Retirement Systems of a member's death by contacting Customer Services at 1-800-868-9002, 803-737-6800, or cs@scrs.state.sc.us, or by writing to the Customer Services Death Claims Unit.

Post-Retirement Information

Retirement Checks

Retirement checks are deposited directly into a member's bank account or mailed the last business day of every month. If a member's check has not arrived by the fifth business day, the member should notify the Retirement Systems by contacting Customer Services at 1-800-868-9002, 803-737-6800, or cs@scrs.state.sc.us. Members should endorse all non-direct deposit checks as drawn. If someone else must endorse a member's check, notify Benefits Payroll or Customer Services immediately. Legal documentation (power of attorney, etc.) must be provided and should contain the member's name and Social Security number. **Retiree's should notify the Retirement Systems in writing of any change in their mailing address.**

Direct Deposit

Please encourage retiring members to take advantage of direct deposit. It takes about two months to initiate a direct deposit request, but it is worth it for the convenience and safety of the member's money. Check stubs for direct deposit retirees are mailed only twice a year (January and July) as well as any time the retiree has a change in his or her retirement check.

Returning to Covered Employment

A service retiree (TERI or non-TERI) or a disability retiree must complete an *Election of Non-Membership* (Form 1104) upon returning to work for an employer covered by the Retirement Systems.

Service Retiree

A service retiree [and a disability retiree age 65 or older (SCRS) or age 55 or older (PORS)] may work for an employer not covered by the Retirement Systems, such as in the private sector, and earn any amount without affecting his or her retirement annuity. If a SCRS retiree returns to work for an employer covered by the Retirement Systems, an earnings limitation will apply. **An SCRS retiree who has been retired for at least 60 days may return to covered employment and earn up to \$50,000 per fiscal year (July 1 - June 30) without affecting his or her monthly retirement annuity. If an SCRS retiree returns to covered employment sooner than 60 days after retirement, his or her retirement annuity will be suspended while he or she remains employed by the covered employer. If a covered employer does not notify the Retirement Systems when a retiree returns to covered employment, the covered employer will reimburse the Retirement Systems for all benefits wrongly paid to the member.** An SCRS retiree is responsible for monitoring his or her earnings and notifying the Retirement Systems when he or she has reached the \$50,000 earnings limitation for the fiscal year.

If an SCRS retiree continues to work and exceeds this earnings limitation, his or her retirement annuity will be discontinued for the remainder of the fiscal year or until the SCRS retiree terminates employment, whichever occurs first. It is a retiree's responsibility to monitor his or her earnings and notify the Retirement Systems in the month that the earnings limitation is reached.

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The SCRS retiree will be paid through the end of the month that the earnings limitation is reached. There is one earnings limitation (currently \$50,000 per fiscal year) for all covered employment retiree earnings in SCRS and GARS, except for TERI employment earnings.

Effective July 1, 2002, PORS members who have been retired for at least 15 consecutive calendar days may return to work for an employer covered by the Retirement Systems and with no earnings limitation. If a PORS member returns to covered employment sooner than 15 consecutive calendar days after retirement, his or her retirement annuity will be discontinued while he or she remains employed by a covered employer.

SCRS retirement annuities deferred during a member's participation in the TERI program are specifically exempt and are not subject to the retiree earnings limitation provided that the member has no break in service. If an SCRS TERI participant is also receiving a monthly annuity from a correlated system (PORS or GARS), however, the annuity benefits received from the correlated system are subject to the SCRS earnings limitation. At the end of the TERI period, a retiree must terminate employment (for at least one day) and is thereafter subject to the SCRS \$50,000 earnings limitation. The 60-day break-in-service requirement is not applicable if the retiree has been a TERI participant for at least 60 days. With the exception of TERI and PORS, the earnings limitation applies to annuity benefits received from all correlated systems.

Exemption for Teachers in Critical Needs Areas

The Department of Education may approve an exemption from the earnings limitation for retired educators hired as teacher specialists, principal specialists, principal leaders, or curriculum specialist hired by public school districts in a geographical or academic critical needs area. These are approved on an annual basis. A member should contact his or her school district or the Department of Education for further information.

Working 48 Continuous Months

If a retiree returns to employment and works 48 continuous months for a covered employer with an annual salary of at least 75 percent of the AFC used to calculate his or her retirement annuity, the retiree may again join the Retirement Systems. If a member rejoins, the member may repay all retirement annuity benefits and purchase service credit for that 48-month period by making a payment equal to the amount the member would have contributed plus interest. The member's retirement annuity will be computed as if the member were retiring for the first time.

Disability Retiree

If a disability retiree under age 65 (SCRS) or under age 55 (PORS) chooses to work, an annual earnings limitation applies on all employment, public and private. Disability earnings are monitored on a calendar year basis and each year the Retirement Systems provides written notification of the calculated amount for that year. Annual earnings from public or private employment cannot exceed the difference between the AFC, adjusted for inflation, and the projected disability retirement annuity for the year. If a disability retiree's earnings exceed the annual limit, his or her disability retirement annuity will be reduced by the amount in excess of the earnings limitation. If a disability retiree returns to work for a participating employer and his or her earnings equal or exceeds the

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retiree's adjusted AFC, then the retiree once again becomes a contributing member of the Retirement Systems.

Disability retirees are required by law to repay any overpayment of disability retirement annuities; therefore, the Retirement Systems should be notified immediately if the retiree returns to work and expects to exceed the earnings limitation during the year. Please contact Customer Services at 1-800-868-9002, 803-737-6800, or cs@scrs.state.sc.us immediately if this occurs.

Once an SCRS disability retiree reaches age 65, a service retiree earnings limitation of \$50,000 (July 1, 2003 – June 30, 2004) rather than a disability retiree earnings limitation applies if the retiree returns to work for an employer covered by the Retirement Systems. Once a PORS disability retiree reaches age 55, there is no earnings limitation.

Retiree Group Life Insurance

Upon the death of a retiree whose most recent employer before retirement has Group Life Insurance coverage, the Retirement Systems will pay a benefit based on the retiree's service credit to the retiree's beneficiaries as follows:

SCRS	Benefit	PORS
10 to 19 years of service	\$2000	10 to 19 years of service
20 to 27 years of service	\$4000	20 to 24 years of service
28 or more years of service	\$6000	25 or more years of service

If a retiree has service in more than one correlated system (SCRS, PORS, and/or GARS) and his most recent employer in each correlated system has Group Life Insurance coverage, service in each system will be considered when determining the Group Life Insurance benefit. The maximum benefit paid will never exceed \$6000. The beneficiary of a retired State ORP participant is not eligible for Retiree Group Life Insurance benefits.

Retiree Group Life Insurance beneficiaries are designated on the *Application for Service Retirement Benefits* (Form 6101) or the *Application for Disability Retirement Benefits* (Form 6151). A retiree may choose different beneficiaries for the Retiree Group Life Insurance benefit and retirement annuities. A retiree may elect to have beneficiary payments paid through a trust. One or more trustees may be appointed for the designated beneficiaries. A completed *Certification of Trust* (Form 1113) must be provided with the retirement application.

Changing Beneficiaries and Options After Retirement

Retiree Group Life Insurance

A retiree may change his or her Retiree Group Life Insurance beneficiary at any time regardless of the payment plan selected. The retiree may request a *Retired Member Change of Beneficiary*

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Form (Form 7201) by contacting Customer Services at 1-800-868-9002, 803-737-6800, or cs@scrs.state.sc.us. Forms are also available on the Retirement System's Internet Web site at www.retirement.sc.gov/forms.html.

Option A (Retiree Only Standard Monthly Annuity Plan)

A retiree may change his or her Option A retirement annuity beneficiary at any time. If a retiree has a change in marital status, he or she may also select a new payment plan within one year of the change in marital status.

Option B and Option C (Joint Retiree-Survivor Monthly Annuity Plans)

If all of a retiree's beneficiaries predecease the retiree, the retiree's annuity will revert to Option A effective on the date the last beneficiary died. The retiree must notify the Retirement Systems upon the death of a beneficiary by contacting Customer Services at 1-800-868-9002, 803-737-6800, or cs@scrs.state.sc.us. The retiree may then select a new beneficiary under Option A. If the retiree has a change in marital status, he or she may select a new payment plan within one year of the change in marital status.

Change in Marital Status

If a retiree's spouse dies, or if a retiree marries or divorces, the retiree may revoke his or her current payment plan and select a new payment plan within one year of the change in marital status with the same or a different beneficiary. Changes are effective the first of the month in which the form is received. Estimates of adjusted annuity benefits under a new payment plan must be obtained from the Retirement Systems before submitting a *Retired Member Change of Beneficiary Form* (Form 7201) to change a payment method.

Number of Changes

Effective January 1, 2001, a retiree's form of monthly payment may not be changed more than twice, regardless of the number of changes prior to January 1, 2001, and the number of events (death of a designated beneficiary or change in marital status) that occur. A reversion to Option A upon the death of a retiree's beneficiary will count as one of the two changes. If a second beneficiary predeceases the retiree after the retiree has again selected Option B or Option C, the retiree's payment plan will revert automatically to Option A; however, no further form of payment changes will be allowed.

Cost-of-Living Adjustments

Cost-of-living adjustments (COLAs) are not guaranteed. The Retirement Systems' actuary must first determine whether funding requirements have been met, then the State Budget and Control Board must approve the COLA. If approved, COLAs are calculated as follows: a member's monthly benefit is increased by 4 percent each July 1 provided the member's retirement was in effect the previous July 1 and the Consumer Price Index (CPI) increased at least 4 percent during

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the previous calendar year. If the CPI increased less than 4 percent, the member's COLA will be equal to the CPI increase.

If an SCRS member retires early (at age 55 with at least 25 years of service), the member is not eligible for COLAs until the second July 1st after the member reaches age 60 or the second July 1st after the date the member would have attained 28 years of service credit had the member not retired.

Retiree Group Health and Dental Insurance

If a member is a state employee covered by state health insurance, information concerning eligibility rules for health and dental benefits at retirement should be directed to the Employee Insurance Program at 1-888-260-9430 or 803-734-0678. Otherwise, the member should contact his or her employer.

Taxation of Monthly Benefits

A retiree's monthly service or disability retirement annuity (or ADP monthly benefit) is subject to federal and state taxes, but there is a SC state income tax deduction for retirement income based on age. The IRS requires federal withholding of married with three exemptions unless a retiree specifies otherwise. If a retiree does not have taxes withheld from his or her retirement check, the retiree may need to file estimated taxes each quarter. Please encourage retirees to check with an accountant or tax advisor regarding their tax liability. Retirees may also contact the SC Department of Revenue at 1-800-763-1295 or at 803-898-5280 regarding SC state tax issues.

Changes to a Retiree's Account

If a retiree or payee wishes to change a name, address, amount of taxes withheld, or direct deposit accounts, the retiree or payee should write to Benefits Payroll or contact Customer Services at 1-800-868-9002, 803-737-6800, or cs@scrs.state.sc.us to request the appropriate forms. The request should include the payee's Social Security number and signature, former and current names, and/or address.

Death Notifications

Generally when a retiree dies, the beneficiary or immediate family members notify the former employer but not the Retirement Systems. Employers should not automatically assume that these individuals will also inform the Retirement Systems. Employers should always contact Customer Services at 1-800-868-9002, 803-737-6800, or cs@scrs.state.sc.us immediately upon notification of a death of any member, retiree, or known beneficiary receiving a check. Notifications can also be faxed to the Customer Services Death Claims Unit at 803-737-7752.

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Glossary

Annuity A series of periodic payments for a fixed future period or for life; payable monthly. See Deferred Annuity below.

Average Final Compensation (AFC) AFC is the 12 highest consecutive quarters of a member's earnable compensation divided by three. The dollar amount of up to 45 days of unused annual leave paid at retirement may be included before averaging the member's 12 highest consecutive quarters of earnable compensation. Elected officials may use 36 consecutive months in place of the 12 highest consecutive quarters.

Beneficiary or Beneficiary Payee A person who is designated to receive, or is receiving, a retirement annuity or other benefit provided by the South Carolina Retirement Systems.

Claims Procedure Act

Effective July 1, 2003, The South Carolina Retirement Systems Claim Procedure Act provides remedies available in a dispute or controversy between the Retirement Systems and a member or a designated beneficiary of a member of any of the retirement systems established in Title 9 of the SC Code of Laws. The new claims procedure sets a one-year statute of limitations, limits retroactive relief to one year, and prohibits class action lawsuits. It also provides an appeals process for members whose disability retirement applications or continuing disability reviews have been denied.

Contingent Beneficiary A person who will receive a refund or annuity benefit if a primary beneficiary of an active member dies or otherwise loses rights as a beneficiary. Contingent beneficiaries may be designated for active member survivor benefits; however, they may not been designated for active or retired Group Life Insurance benefits or retirement annuities.

Correlated Systems SCRS and PORS are correlated systems. If a member has contributions in more than one of these retirement systems, the

member's service credit is maintained separately within each system; however, the member's service credit is added together to determine the member's eligibility for a retirement annuity within each respective system. The 12 highest consecutive quarters of earnable compensation in SCRS or PORS typically are used to calculate a member's SCRS and PORS retirement annuity unless the service is concurrent (earned at the same time). GARS is also a correlated system in which the member's years of service may be used to determine retirement eligibility, but not the AFC. Contact Customer Services at 1-800-868-9002, 803-737-6800, or cs@scrs.state.sc.us for more information.

Cost-of-living Adjustment An adjustment of a salary or a retirement annuity intended to help offset the effects of inflation. Commonly referred to as COLA. COLAs are not guaranteed.

Deferred Annuity An annuity for which one does not become eligible until some future date. Application must be made with the Retirement Systems to receive benefits.

Defined Benefit Plan A retirement plan through which employers and employees contribute to a fund for which a clearly defined and guaranteed level of benefit will be paid to retirees. Promises specified annuity benefits, typically in the form of a monthly retirement pension based on levels of compensation and years of service. Contributions are actuarially calculated to provide annuity benefits. These annuity benefits are paid for a retiree's lifetime. SCRS and PORS are defined benefit plans.

Defined Contribution Plan A retirement plan through which employers and/or employees contribute to a fund for which only the contribution is defined and benefits will cease when contributions are exhausted. The level of retirement annuity may rise or fall based on investment performance. The State ORP and the South Carolina Deferred Compensation

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Program's 401(k) and 457 plans are defined contribution plans.

Direct Rollover The taxable portion of a retirement plan distribution (refund) may be eligible for a tax-deferred rollover to an IRA, a 401(k) plan, a 401(a) plan, a 403(b) plan, or a 457 plan. Check with the receiving plan administrator to determine if it will allow such a rollover. Surviving spouses have the same rollover choices as members. Members or alternate QDRO payees may elect to roll over all or any part of the taxable portion of the member's contributions plus interest. The payment received from the Retirement Systems is classified as a Qualified Total Distribution under Internal Revenue Code Section 401(a) and will be reported to the IRS on Form 1099-R.

Disability Determination Provider This provider evaluates the Retirement Systems' disability claims and submits a recommendation to the Retirement Systems' Medical Board. Inquiries should be directed to the Retirement Systems' Customer Services Department.

Disability Retirement A retirement annuity under a defined benefit plan for active contributing members of the Retirement Systems who become disabled and whose disability is likely to be permanent. A member must apply while in service with a covered employer and must be approved for disability retirement benefits by the Retirement Systems.

Earnable Compensation A rate of compensation purely for working one's full normal time, not amounts paid on a cash basis. When compensation includes maintenance, fees, and other things of value, the State Budget and Control Board shall establish the monetary value of such compensation.

Earned Service Paid employment as an employee during which regular contributions are paid to the Retirement Systems. Members enrolled after December 31, 2000, must have five years of earned service to be eligible to receive a service retirement annuity or a disability retirement annuity, to qualify a survivor for a

monthly annuity after an in-service death, or to receive a supplemental minimum benefit under SCRS.

FICA Federal Insurance Contributions Act (Social Security and/or Medicare).

Lump-Sum Distribution A onetime, total distribution of a member's contributions and interest from a qualified plan. Refund payments are considered lump-sum distributions.

Member A member is an employee of a public or governmental entity who participates jointly with his or her employer in one of the South Carolina Retirement Systems' plans by contributing a set percentage of his or her wages towards the member's pension plan. Because of these retirement contributions, the member earns service credit that may entitle him or her to a defined benefit retirement annuity (if eligible). Contributing members also may purchase service credit towards retirement. If retirement eligibility is not met, a member may withdraw his or her member's contributions and interest (canceling all service credit) from the pension plan upon termination of employment.

Members may be active, as above, or inactive. An inactive member is no longer employed by a public or governmental entity that participates in one of the South Carolina Retirement Systems' plans and does not contribute a set percentage of his or her wages into a pension plan. An inactive member may not purchase service credit or apply for disability retirement; however, an inactive member who has not withdrawn his or her contributions and interest from the pension plan may apply for a deferred annuity (if eligible) upon reaching retirement eligibility.

Non-Member A non-member is an employee of a public or governmental entity that participates in one of the South Carolina Retirement Systems' plans, but either elects not to or is not required to contribute a set percentage of his or her wages into a pension plan. A non-member does not earn service credit and is not entitled to a defined benefit retirement annuity unless he or she is

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already receiving an annuity due to past participation.

Option A One of the three payment plans available to retiring members. See page 60 for details.

Option B One of the three payment plans available to retiring members. See page 60 for details.

Option C One of the three payment plans available to retiring members. See page 60 for details.

Payment Plan A method of payment through which a member receives his or her retirement annuity and, depending on the plan chosen, may provide a survivor benefit to his or her designated beneficiary. The member selects a payment plan at retirement. SCRS and PORS retiring members may choose payment plans Options A, B, or C.

Pension Plan A defined benefit retirement annuity plan under one of the following: the South Carolina Retirement System; the Police Officers Retirement System; the General Assembly Retirement System; or the Judges and Solicitors' Retirement System.

Police Officers Retirement System (PORS) The name of the retirement system covering police officers, firefighters, peace officers, probate judges, and magistrates as explained on pages 5 and 6.

Pre-tax Any type of contribution or compensation deducted from gross pay before earnings are taxed. Commonly referred to as deferred.

Qualified Domestic Relations Order (QDRO) A court order that recognizes or creates a spouse's or a former spouse's right to a portion of a member's retirement annuity. Commonly referred to as QDRO. This individual cannot receive his or her share of the member's retirement annuity until the member retires, withdraws the contributions, or dies. A divorce decree that assigns this portion to an ex-spouse is not necessarily a valid QDRO. Direct payment by the Retirement Systems is not

possible unless the court enters an order that the Retirement Systems determines is acceptable under its guidelines pursuant to S.C. Code Ann. 9-18-10 (supp. 2000).

Qualified Plan The South Carolina Retirement Systems' retirement plans are qualified plans under section 401(a) of the Internal Revenue Code. The term also refers to other retirement plans that are qualified by the IRS.

Refund A lump-sum distribution of employee contributions and interest, which cancels all service credit and benefit rights. A refund is payable to a member after a minimum 90-day separation from service or to a beneficiary upon a member's death.

Retirement Annuity A monthly annuity payable to a member or his designated beneficiary.

Retirement Systems This is the informal name used by the South Carolina Retirement Systems.

Rollover A tax-deferred transfer of funds from one qualified retirement plan to another (see Direct Rollover).

Service Credit A member's earned service, prior service, and/or purchased service.

Single-Sum Distribution Non-periodic distribution from a qualified retirement plan received before an annuity start date. TIRI payouts are considered single-sum distributions.

South Carolina Retirement System (SCRS) This is the name of the retirement system covering state employees, public school employees, public higher education personnel, and employees of other political subdivisions as explained on page 5.

South Carolina Retirement Systems This is the name commonly used to refer to the five retirement systems administered by the Retirement Division of the South Carolina State Budget and Control Board.

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State Optional Retirement Program A defined contribution retirement plan offered as an alternative to SCRS. The State Optional Retirement Program (State ORP) is available to all state, public school, and higher education employees hired after June 30, 2003. This includes all permanent full-time employees, temporary and part-time employees and political appointees.

Tax-Deferred Any type of contribution, compensation, or investment that is not taxed until the member receives the funds according to the program's guidelines.

Teacher and Employee Retention Incentive (TERI) Program (SCRS Only) Active SCRS members eligible for service retirement may participate in the TERI program, which allows an SCRS member to retire and begin accumulating his or her retirement annuity on a deferred basis without terminating employment. SCRS members must file a retirement application to elect TERI participation, select a payment plan, and designate retirement beneficiaries.

Workers' Compensation A program through which an employee may receive compensation in the event of an accidental, employment-related injury. An active member may continue contributions during the period in which he or she is receiving Workers' Compensation. An active member may also establish service credit for a leave-of-absence period during which the member is receiving Workers' Compensation benefits. The cost is based on contributions plus interest using the member's earnable compensation at the time of the injury. Employers should encourage members who are applying for disability retirement to do so as soon as possible and before being terminated from payroll.

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